

Lack of Tear Gas Necessitated Force, Li Reportedly Says

By Daniel Southerland

Washington Post Service
BEIJING — Prime Minister Li Peng, defending the use of lethal force, said that the army used guns and tanks to thwart pro-democracy student protesters last month because it was short of tear gas and had no rubber bullets, a U.S. visitor said Sunday.

Mr. Li said that the army lacked riot-control capabilities to subdue Tiananmen Square, said Daniel K. Wong, a Chinese-American who met with Mr. Li Saturday and later told Western reporters of the prime minister's remarks about army suppression of student-led demonstrations on June 3-4.

He quoted Mr. Li as insisting that the soldiers "did not want any bloodshed — they wanted peace, they knew the students' intentions were good."

As reported by Mr. Wong, Mr. Li's remarks sounded ludicrous to many foreign observers here because the army had weeks to prepare its entry into the capital. The observers said that if there had truly been a shortage of riot-control equipment, it would not have taken much effort to purchase tear gas, rubber bullets and other nonlethal means of crowd dispersal. In the end, the army did use a considerable amount of tear gas to the south of the square on June 3-4.

Mr. Li reportedly contended that the protests in Beijing were the first of their kind in 40 years of Communist rule. "We were not prepared," he said.

Armed police in the past had

occasionally used tear gas against anti-Chinese demonstrators in Tibet, particularly during demonstrations and riots in Lhasa in March.

Western diplomats said that Mr. Li's remarks appeared to be part of a government attempt to begin responding with greater candor to evidence that the army brutally suppressed the students.

The government's description of what happened during the army assault on unarmed demonstrators

Evidence mounts that Chinese troops deliberately fired at the apartments of foreigners. Page 2

has met with widespread skepticism in Beijing. Many citizens supported the students occupying Tiananmen Square, and witnessed the army's drive into the city — which was carried out by tens of thousands of troops and armored personnel carriers.

Mr. Li's remarks followed an earlier admission that civilian casualties were higher during the army's seizure of the square than original government estimates. On Friday the mayor of Beijing, Chen Xitong, said that more than 200 civilians, including 36 students, died during a "counterrevolutionary rebellion."

Mr. Li's remarks may have been motivated in part by a desire to limit losses resulting from economic sanctions imposed by Western nations and Japan in reaction to the massacre.

"They've entered the damage-



HERE'S HOWE — Hong Kong protesters shouted "shame" during demonstrations Sunday in front of Government House after the arrival of Sir Geoffrey Howe, British foreign secretary, on a fact-finding mission on the transfer to Chinese rule in 1997. Page 2.

Greek Coalition Begins to Deal With Scandals

By Carol Reed

Washington Post Service
ATHENS — A temporary left-conservative government was sworn in Sunday in Athens, promising to begin a cleanup of the financial scandal that brought down the Socialist government.

Tzannis Tzannetakis, 62, a deputy of the conservative New Democracy Party since 1977, took the oath as prime minister along with a cabinet consisting mainly of leading New Democracy politicians, many of whom have a reputation for liberal, modern administration styles. The cabinet immediately got down to business, holding its first meeting after the swearing-in.

Among the new conservative cabinet members is George Papoulas, until now Greek ambassador to Washington. He is deputy foreign minister.

Mr. Papoulas's appointment was regarded in Athens as a move intended to smooth over recently prickly relations with the United States. Negotiations on a new accord governing U.S. bases in Greece have been slow, and the Greeks have not decided whether they will allow the extradition to the United States of a suspected Palestinian terrorist, Mohammed Rashid. Mr. Rashid is wanted on charges stemming from the 1982 midair bombing of a Pan American jetliner over Hawaii, in which a Japanese teen-ager was killed.

Also in the Tzannetakis cabinet are two Communists from the Communist-led leftist alliance. These are the justice and interior

ministers. The two portfolios were promised to the leftists by New Democracy during negotiations. The justice minister is Photis Kourvelis, president of the Athens Bar Association. The interior minister is Nikos Constantopoulos, who was one of three defense attorneys for Mr. Rashid in May extradition hearings. Greek Communists have opposed Mr. Rashid's extradition; New Democracy has supported it.

In May, a Supreme Court panel decided in favor of extradition, but the final decision, to be made by the justice minister, was left for the next government because elections were approaching.

Mr. Tzannetakis described the goals of his new government, intended to last only three months, as "effecting a cleanup of the scandals, restoring democratic functions, and preparing for elections." Fresh elections are expected in October.

Many Greeks were amazed that conservatives and a Communist-led leftist alliance had actually formed a government. Forty years ago, after World War II, a civil war pitted Communist insurgents against conservative government troops.

Both conservative and leftist Greeks who were alive then remember death, forced evacuations and torture. Intense polarization of right and left has continued since then.

The Socialists' financial scandals have unified conservatives and

See GREECE, Page 4

Kim Il Sung Opens a Door

President Kim Il Sung addressing the World Youth and Student Festival, a largely political gathering of about 15,000 leftists from around the world, in Pyongyang, North Korea. More than 90 Americans attended Mr. Kim's experiment in giving North Korea more contact with the Western world. The last time so many Americans were in North Korea was during the 1950-1953 Korean War.



U.S. Policy on Soviet Union: An Uneasy Balance

By Thomas L. Friedman

New York Times Service
WASHINGTON — In May, midway through a Kremlin meeting between Mikhail S. Gorbachev and Secretary of State James A. Baker 3d, the Soviet leader suddenly glanced across a gilded hall toward Robert M. Gates, the U.S. deputy national security adviser.

Smiling, but with a steely edge in his voice, Mr. Gorbachev said he had heard that the White House had a special unit assigned to discredit him. He said he had also heard who was in charge of that unit — Mr. Gates.

As Mr. Gates and the other Americans sat in stunned silence, a participant recounted, Mr. Gorbachev went on to say that Moscow and Washington must try to work together for a new relationship. Then, the Soviet leader

added, Mr. Gates would be out of a job. "Let's just say he was familiar with my views," Mr. Gates remarked, offering no other comment when asked for his reaction to the encounter in the Kremlin.

But the Soviet leader's message seemed clear enough to U.S. officials: Mr. Gorbachev was telling the Bush team that the "don't-trust-the-Soviets" theme laid out in speeches by Mr. Gates, a former deputy director of the Central Intelligence Agency, was outdated.

In pointing toward Mr. Gates, Mr. Gorbachev picked a man who seemed to embody the conflicting urges of the Bush administration's evolving policy toward the Soviet Union.

President George Bush's advisers want to avoid what they see as an overly trusting U.S.

attitude toward Moscow in the last stages of the Reagan presidency.

But even the hard-liners know that to discount Mr. Gorbachev's policy changes and relaxations could be to squander an opportunity and to damage President Bush's standing in the world — indeed, his standing in history.

Since the May talks, the Bush team has found a new equilibrium in its view of the Soviet Union.

It is an uneasy balance between an instinctive skepticism about Mr. Gorbachev's ultimate prospects for success and a political and geopolitical interest in taking immediate advantage of the new Gorbachev policies of *glasnost*, meaning open access to information, and *perestroika*, or restructuring of domestic and foreign policies.

It is a balance that Mr. Gates personifies better than anyone.

"We want to see perestroika succeed, because the success of those reforms would have implications for the Soviet Union that are favorable not only to our values but our interests," Mr. Gates said in an interview after the trip to Moscow — a city he had never visited before but knew in detail from surveillance-satellite photographs.

"But we have to carry out our policy," he said, "as the president and Secretary Baker have done so skillfully, with our eyes wide open."

"We've heard a lot of promises from Gorbachev," Mr. Gates said. "We believe the delivery is coming. But structural change has

See POLICY, Page 4

Kiosk

Hannover Blast Kills U.K. Man

HANNOVER, West Germany (Reuters) — A man believed to belong to the British Rhine Army was killed Sunday evening when his car exploded as he was getting into it, a police spokesman said.

MONDAY Q&A



Dame Lydia Dunn, who is fighting for the rights of Hong Kong's 3.25 million U.K. passport holders to emigrate to Britain. Page 2.

Special Report

Egypt's return to the Arab fold is a personal triumph for President Mubarak. Pages 13-19.

Crossword Page 5.

In Gulag, Glasnost Seems a Naive Hope

By Bill Keller

New York Times Service
MOSCOW — From behind the barred wire of Perm Labor Camp 35, Vyacheslav N. Cherepanov watched the unfolding fantasy of the Gorbachev years with frequent amazement and faint hope.

Sitting with his equally astonished fellow inmates before the camp television set, he heard former outcasts like Andrei D. Sakharov demand the dismantling of the police state.

Then he looked around him at the surly wardens, the dispirited prisoners, and shook his head in wonder at the naive stubbornness of human hope.

"The political police have been told to stop for awhile, so they sit and wait," he said after his release from the gloomy penal zone where he has spent 11 of his 38 years. "As soon as they are given the order, 'Bite!' they will rush to attack."

Mr. Cherepanov, who was charged with "betraying the motherland" by trying to run away from it, was part of a dwindling population of men regarded by Western human rights groups as political prisoners.

Unlike earlier generations of political victims — from Alexander I. Solzhenitsyn to Natan Sharansky to Andrei D. Sakharov — current

claimants to that title are not well known, their grievances not so clear, their cases overshadowed by President Mikhail S. Gorbachev's attempts to devise a more modern and humane communism.

But Mr. Cherepanov asserts that there is still injustice and inhumanity enough in the Gulag to raise serious doubts about Mr. Gorbachev's prospects.

His pessimism was reinforced by his 1,000-mile train ride from the camp, spent talking with embittered provincial dwellers about shortages of meat, tea and soap.

"People are going wild," he said. "They say that an explosion is go-

ing to take place in Russia soon: 'Our axes are waiting.'"

Mr. Cherepanov, a thin man in borrowed clothes, thick glasses and blond hair still mowed in prison, was released when the Supreme Court in Lithuania revoked the main charge of treason on which he was convicted in 1981.

The case was built on evidence that Mr. Cherepanov, a freelance journalist, fraternized with Westerners, listened to the BBC and Voice of America, tried to marry a Canadian and was finally caught trying to cross to Finland.

He admitted to all of this, but denied an additional charge that he

See GULAG, Page 4

Weapons Count Is Key to NATO Numbers Game

By R. Jeffrey Smith

Washington Post Service
WASHINGTON — The number of combat aircraft deployed in Western Europe has quietly increased by several hundred each of the last few months, according to official U.S. data.

In May the administration said there were roughly 5,000 such aircraft; in June, 5,400, and this month unpublished documents state there are several hundred more.

U.S. officials say that the North Atlantic Treaty Organization is not mobilizing additional forces in response to a threat from the East. It is instead merely fiddling with the

accounting books in advance of more intensive negotiations with the Warsaw Pact on a treaty requiring reductions in aircraft and other weaponry.

NATO officials in Brussels have been haggling over the aircraft total, as well as a new tally of combat helicopters, so they can formally present them by July 13, the end of the current Vienna negotiating session.

Some officials say that NATO tallies of Western tanks, armored troop carriers and artillery will also eventually be adjusted.

The likely departures from figures released by NATO last winter are attributed partly to a clearer

sense of alliance objectives in the talks and more precise definitions of the weaponry to be controlled. Officials say they also realize that the new data must be precise enough to withstand Soviet scrutiny in eventual on-site inspections of Western military bases.

"Determining the numbers is a complicated business," said a deputy assistant secretary of state close to the conventional-arms negotiations. "It depends on what counting rules you use. And some weapons are going into and out of the inventory, making the totals a moving target."

Other officials said the alliance debate over the definition of com-

bat aircraft became so intense that President George Bush contacted Prime Minister Margaret Thatcher of Britain and President Francois Mitterrand of France to underscore his desire for a speedy accord with the East.

Secretary of State James A. Baker 3d alluded to such contacts when he recently told the House Foreign Affairs Committee that "there are a number of definitional problems," such as "questions about whose aircraft is going to be involved."

The British were initially reluctant to include ground-based naval aircraft within the overall tally,

See PLANES, Page 4



SHORTCUT — Beirut residents evacuating a young boy from the balcony of his apartment on Sunday as rival Shiite militia groups battled in the Syrian-controlled Muslim neighborhoods.

Leningrad Hears Faint Refrains From the West

By David Remnick

Washington Post Service
LENINGRAD — Lenin hated the city that was to bear his name. For him, Petrograd, and before that St. Petersburg, was too close to the West and its bourgeois tug. On white nights like the ones now, wrote an exiled native son, Joseph Brodsky, "It's so quiet around you that you can almost hear the clink of a spoon falling in Finland."

The revolution accomplished but under threat, Lenin moved the capital southeast to Moscow. It's doubtful that Lenin would enjoy a weekend in the city that residents still tend to call "Peter."

Although Leningrad has declined as a fo-

cus of national politics, the influences of the West have been streaming across the Gulf of Finland.

Capitalism, of sorts, has even hit the Leningrad KGB, the security police. The newspaper Sovetskaya Kalina reports that a new detective agency here offers the public the chance to hire private sleuths with a KGB pedigree. All it takes is rubles to put an end to those pesky troubles with the local Mafia types, or whatever the problem.

"Respect for order and professionalism — those are the two fundamental criteria" for those are the two fundamental criteria, Vladimir Kosyakov.

Near the Hermitage Museum, three 26-

year-old graduates of Leningrad University have set up a private law firm. Clients need to sidestep rubble, garbage and cement dust in the courtyard to reach the door.

Andrei and Alexei Sokolov and Yevgeni Nikolsky all worked for the local prosecutor's office, but they found the work dull, the hours long and the pay paltry. They did not organize their cooperative to win a battle for justice or reform. "We wanted to work less and make more," Alexei Sokolov said.

And so they have, earning double, sometimes triple, the 200 rubles (about \$350) a month they got working for the state. "And now we can just walk out of the office and

See CITY, Page 4

Pentagon May Expand Drug War Role

By Richard L. Berke

New York Times Service
WASHINGTON — A special National Security Council task force plans to recommend that President George Bush greatly intensify the military's role in the drug war by sending military advisers while increasing economic aid to South American countries where cocaine production flourishes, administration officials say.

The officials insisted that the effort would not be a back door for pursuing traffickers with military force.

"We're not talking about the 82d Airborne," a member of the working group said. "What we are talking about is helping those countries who want to deploy their military resources to help fight narcotics and help them control insurgencies that are involved in trafficking."

But the officials said the group had not ruled out the possibility of future combat roles for the American military in drug interdiction.

A senior White House official said joint military operations with other countries were "a big part of the discussions."

He said, however, that those who

were considering such efforts were aware that they could be dangerous and politically risky.

The security council recommendation, in draft form, also proposes greater use of intelligence to track drug traffickers, officials said, and the CIA, which recently established a counter-narcotics center, is expected to play a significant role.

The recommendation calls for dramatically increasing economic and military assistance to as much as a half billion dollars in fiscal year 1990 from about \$57 million in the current fiscal year.

Most of the current funds are

provided for in the budgets of the State Department and the Drug Enforcement Administration. Where the additional money would come from was not made clear.

The primary recipients of the aid would be the governments of Colombia, Peru and Bolivia, according to the officials, who also said that other countries used as transit stops for traffickers, such as Mexico, Venezuela, Brazil and Ecuador, would probably receive some assistance.

State Department officials ex-

See DRUGS, Page 4

AMERICAN TOPICS

How Palo Alto Shows It's 'Bicycle-Friendly'

Palo Alto, California, is the "most bicycle-friendly town in the United States," according to a CBS News broadcast. How friendly? The city of 60,000 has built a 40-mile (65-kilometer) network of lanes and paths for cycling. Cars have limited access to "Bicycle Boulevard," a two-mile stretch of one of the city's main east-west arteries, because of a series of barriers and bike-only bridges.

Businesses are required to provide showers for cyclist employees and parking for bikes. The town has smoothness standards for road repaving. Junior high schools offer a cycling course.

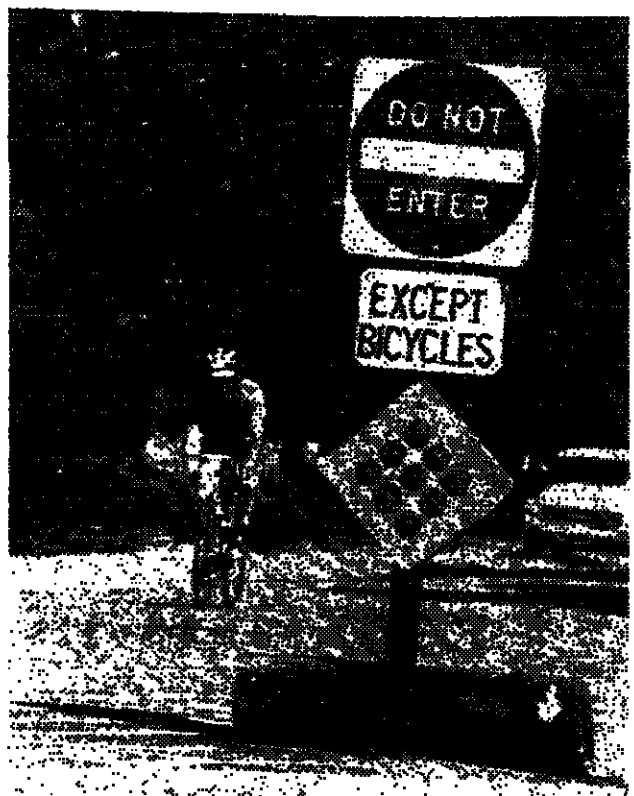
Why Palo Alto's love affair with the bicycle? It adjoins Stanford University, and California college towns tend to be cycling hotbeds. The weather is sunny and dry when San Francisco, 40 miles north, is dank with summer fog. The terrain is flat, manageable for a novice cyclist. Finally, there is a widespread interest in ecological issues and physical fitness, two of the San Francisco Bay area's abiding preoccupations.

Notes About People

John H. Summum, the White House chief of staff, has a network of Washington consultants and power brokers, as well as friends and relatives of President George Bush, to whom he regularly sends advance copies of major speeches and proposals, often with a note saying, "Let me know what you think of this."

Previous chiefs of staff have sometimes been criticized as isolated and aloof. Mr. Summum has made it plain he wants to avoid that. The New York Times reports, "The worst thing that can happen," he said, is when "the only people you talk to are inside these four walls and we just echo-chamber on each other." The list includes the president's five children as well as Lee Atwater, chairman of the Republican National Committee, and senior campaign aides like Craig Fuller and Roger Ailes.

Moscow's first International Tchaikovsky Piano Competition in 1958 was fixed so that a Soviet citizen would win it, according to "Stormy Applause," a new book by Rostislav Dubinsky, an exiled Russian pianist. But the crowd clamored for hours for Van Cliburn.



USER-FRIENDLY — A bicyclist in Palo Alto, California.

born, a 23-year-old Texan. Finally, at 2 A.M., the jury chairman telephoned Nikita S. Khrushchev. The sleepy-voiced Soviet leader asked, "And is this American really that good?" "Remarkable," the jury chairman replied. "Then what's the trouble?" Khrushchev asked. "Give him first prize and let me go back to sleep."

Short Takes

In 1985, when it cost \$1 to mine a pound (about half a kilogram) of copper that sold for 60 cents, Echo Bay Mines Ltd. of Canada sold its mine at White Pine, Michigan, in a complex arrangement that, over the years, may have comprised a total price tag of \$10 million to executives and workers. But now, with copper prices up and mining costs down, Metall Mining Corp. of Toronto has bought the mine from its owner-employees for \$83 million. The average blue-collar worker received \$60,000 in his post office box. A few executives got millions.

The Washington Monthly's memo for July is from the director of communications and legislative affairs at the U.S. Equal Opportunity Commission, Deborah J. Graham. Although "Congress is back in session," she noted, "it appears that some members of this staff think they are still on vacation." She warned that, "I'll use my tool kit to disconnect the phones of those

who repeatedly engage in personal conversations during business hours" and that "the next résumé I see come off the computer during work hours will be eaten by its author."

Hotels Using Agents To Check Up on Staff

Paying people to do quality control has become increasingly commonplace in all service industries, especially hotels. The New York Times reports. Inspectors check theft by employees, taking note of bartenders who fail to ring up some rooms or waiters who pocket the money from guests paying in cash.

David Richey, who owns a hotel-inspection business, orders about seven meals a day in the line of duty, both in hotel restaurants and from room service, unobtrusively discarding most of the food. Agents line briefcases or purses with plastic so they can be stuffed with food. He recalled that a female agent "once deposited a veal chop in her purse, forgetting there was a bone there. The waiter looked all over, even under the table, trying to find the bone. I guess he assumed she just ate it."

Similarly, drinks are spilled intentionally. "In this work," Mr. Richey said, "you leave a lot of liquor on bar floors and in potted plants. Otherwise, you pass out a lot."

Arthur Higbee

Luce Fund Is Set Up to Aid Women In Science

By Kathleen Teltsch

New York Times Service

NEW YORK — Clare Boothe Luce left \$70 million, the bulk of her estate, to be used to advance the careers of women in science and engineering educators even though she did not attend college and had no penchant for science.

The Clare Boothe Luce Fund, which is to be announced this week, will be used to create professorships and to provide for fellowships and scholarships.

Mrs. Luce, who was married to the late Henry R. Luce, a founder of Time Inc., died in October 1987.

She said in her will that she wanted the fund "to encourage women to enter, study, graduate and teach" in fields where they are underrepresented, particularly in physics, chemistry, biology, meteorology, engineering, computer science and mathematics.

Among other things, the money will establish eight Clare Boothe Luce professorships for women this year, with five-year grants ranging from \$225,000 to \$430,000.

The awards will help Yale University place the first female professor in its physics department and enable Princeton University and the College of the Holy Cross to add the first women to their chemistry departments.

Mrs. Luce designated 14 schools and colleges that will each receive \$3 million a year to enhance science and engineering opportunities for women.

Some of the schools, like Boston University, Georgetown University and the University of Notre Dame, are nationally recognized. Others are colleges for which Mrs. Luce had sentimental attachments or that had given her honorary degrees for her contributions as a playwright, magazine editor, war correspondent and diplomat.

And other schools will be invited to apply for financial support from a \$26 million general fund.

Robert E. Armstrong, the vice president and executive director of the Henry Luce Foundation, which will administer the program, said, "Requiring the recipient schools to choose women will cause these institutions to look harder for qualified women candidates than they have done in the past instead of settling for the first qualified male applicant."

In the United States, women make up less than 5 percent of the tenured physics professors at major universities, Mr. Armstrong said.

In Soviet Press, a Soft Spot for U.S. Spy

by David Remnick

Washington Post Service

MOSCOW — The Soviet Union has begun to elevate Glenn Michael Souther, the American-born spy for the KGB who committed suicide here last week, to the status of espionage saint, a figure "in the line of" the British spies Kim Philby and George Blake.

A long and glowing profile in the Communist Party newspaper Pravda is among the many effusive portraits now appearing in the Soviet press. It describes Mr. Souther as the man who gave Moscow detailed U.S. plans in the event of nuclear war with the Soviet Union, and other "precious" secrets. Mr. Souther, the paper said, "did everything to help the forces on the side of peace."

U.S. military and intelligence analysts are still trying to assess the damage Mr. Souther did when he was spying for Moscow while a

navy intelligence officer. Mr. Souther defected in 1986 after the FBI questioned him about an acquaintance. Pravda reported that Mr. Souther

door and waited. He was found dead the next morning. "Justice demands that you hear my last words," Mr. Souther wrote to the KGB, according to Izvestia.

'He failed to understand how it could be that you can go shopping here and find none of the things you are looking for.'

Pravda

er had had access to U.S. "space intelligence."

According to an article in the government newspaper Izvestia, Mr. Souther drove on June 22 to his country house, where he wrote notes to his mother, wife and daughter, and to the KGB. He then went to his garage, closed the door, turned on the ignition of his Soviet-made Zhiguli car, opened the car

"Of our relations, I have nothing to complain about. They were long-standing and helped me as a person. I wish to be buried in a KGB uniform."

Izvestia described Mr. Souther as a "great romantic" who "lived on his nerves."

"He takes his place in the realm of KGB intelligence alongside such magnificent soldiers on the invisi-

ble front as Kim Philby and George Blake," Pravda said, adding that such men created conditions so "that the atom bombs did not fall on Soviet cities."

Mr. Philby died last year and was given a full KGB funeral. Mr. Souther is buried near him. The Pravda article indicated that Mr. Souther had been subject to depression since his defection in 1986. The depressions, it seemed, were rooted simply in the routine of Soviet life.

Mr. Souther took a Russian name — Mikhail Yevgenyevich Orlov — and began discovering the reality of the country he had spied for.

"He did not find all the things he dreamed of after he arrived," Pravda said. "He failed to understand how it could be that you can go shopping here and find none of the things you are looking for."

Paper Says Iran Will Not Forgive U.S. for Airliner

Reuters

NICOSIA — The Iranians will never forgive the United States for the shooting down of an airliner over the Gulf a year ago, a Tehran newspaper vowed on Sunday. A missile fired by a U.S. Navy warship destroyed the plane, killing all 290 passengers and crew members.

"Such a crime cannot be left forgotten, and for this precise reason the Iranian nation sees America as its No. 1 enemy and has said time and again it would not pardon it for its crimes," the newspaper Jomhouri said in an editorial.

The guided missile cruiser Vincennes shot down the Airbus on July 3 soon after the airliner took off from the southern Iranian town of Bandar Abbas bound across the Gulf for Dubai.

After an inquiry, the United States said the Vincennes crew thought the Airbus was an Iranian military jet with hostile intentions.

In Bangkok, Dutchman Kills Children and Self

Reuters

BANGKOK — A Dutchman, Rund Hompe, 40, stabbed his 4-year-old son, 6-year-old daughter and wife, Doreine, then hanged himself in his central Bangkok home on Sunday, the police said.

The children died and the wife is in critical condition. The police said that Mr. Hompe was apparently distressed by an unspecified illness suffered by his wife.

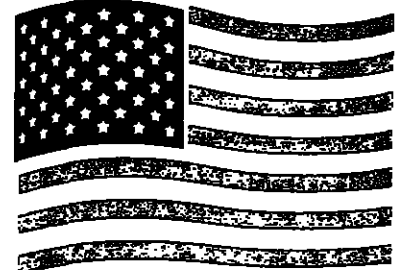
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THE YEAR OF ARTS AND CRAFTS IN THAILAND

Kite flying! What happy memories of childhood, blue skies, the smell of new-mown grass, 'horses-tail' clouds and those brightly coloured diamonds, fluttering to earth.

In Thailand, the kite has more serious associations. Dating back to the thirteenth century, kite fighting is a real sport of the Thais (and Kings have been numbered among the sport's participants).

It has its own rules and regulations and is recognised by the Thai Sports Association.

Many and varied are the nuances of the sporting code that rules over this enthusiastically pursued activity.

The 'chula' or male kite is seven foot long - seven times the length of the pretty female kite or 'pakpaos'. Both play important roles in kite fighting.

Indeed, the 'chula' in its dimensions and shape has religious and philosophical significance.

Naturally, the crafting of kites is no childhood activity.

A properly-proportioned 'chula' must resemble a human being, with its topmost section representing the head, the two side sections the arms etc., and it must be correctly proportioned for aesthetic reasons.

The paper must not cover the carefully rounded and smoothed bamboo frame (which consists of six separate pieces).

A square criss-cross of threads holds it rigidly together so the squares are uniform.

You can see the professional

kite-makers in the Bangkok area.

Mr. Charoon Tiangtham, for example, who has been an amateur kite-maker since the age of 10, gave up his job as a bus driver when he was 47 years old to become one of Thailand's most sought-after professional kite makers.

His earnings in the kite season amount to 1500-2000 baht a day.

Mr. Tiangtham searches out his own supply of bamboo in the nearby forest, so crucial are the basic materials to the construction of a truly great kite.

Each kite takes three days to make and Mr. Tiangtham's dedication to his art runs to having a knife made specifically to trim the bamboo.

As this is the Year of Arts and

Crafts in Thailand, there is no better time in which to take in the many and varied examples of Thai tradition and ingenuity.

And there is no finer way of flying to Thailand than on Thai International.



New Junta in Sudan Dismisses Generals

By Neil Henry

Washington Post Service

NAIROBI — The Sudanese Army officers who overthrew the government of Prime Minister Sadek Mahdi are consolidating their position in Khartoum, dismissing the country's senior military commanders and announcing an intention to honor foreign treaties and seek peace with southern rebels.

As a state of emergency continued in the capital, the 15-member Revolutionary Council headed by General Omar Hassan Ahmed Bashir pledged to maintain "the unity of Sudanese soil" and to conclude "an honorable peace" with the rebel force, the Sudan People's Liberation Army.

General Bashir also said he had elevated his own rank to lieutenant general. He had been a brigadier.

In a briefing for foreign ambassadors, General Bashir reportedly said peace was "the primary goal" of his government.

In a communiqué, the Revolutionary Council said that Sudan had been "in chaos" under Mr. Mahdi, and that he had turned the country into "a nation of beggars." The coup leaders also criticized Mr. Mahdi for not properly equipping the army to fight the six-year civil war.

General Bashir said Sunday that Mr. Mahdi had escaped arrest and was hiding in Khartoum, Reuters reported from Cairo.

"He is in hiding in the capital because when he left his post he was still in the capital," he said. General Bashir said that Mr. Mahdi was not killed and had not been arrested. He said that all security services were searching for Mr. Mahdi.

Khartoum's international airport remained closed Saturday, except to pilgrims leaving and returning from Mecca, the Muslim holy city in Saudi Arabia. Most communications with Khartoum have been cut, but a Westerner contacted by telephone there Saturday said business had returned to normal.

A dusk-to-dawn curfew imposed by the new regime was still in effect.

The makeup of the Revolutionary Council indicates that the coup was led almost entirely by mid-level officers. Moving quickly against higher-ranking officers, General Bashir announced the dismissal Saturday of 28 generals, virtually the entire senior command of the armed forces.

The council members, the oldest of whom is said to be General Bashir, 43, include eight brigadiers, four colonels, two lieutenant generals and one major.

General Bashir was described

Saturday in reports monitored in Nairobi as a devout Muslim and a political moderate with no previous political affiliation.

According to the Middle East News Agency, which interviewed his brother in Abu Dhabi, General Bashir served for two years as a garrison commander in southern Sudan before being transferred to Khartoum.

While he and his fellow officers again proclaimed the nationalist values of what they termed a "revolution," there were few specific indications of how they planned to tackle the key economic, political and military issues confronting the nation.

These include an annual inflation rate estimated at 85 percent, severe food shortages and imposition of harsh Islamic laws requiring amputation for some offenses, which many Muslim factions demanded but which have alienated and embittered the predominantly Christian and animist south.

Egypt Recognizes Junta
Egypt recognized the military junta in Sudan on Saturday, Reuters reported from Cairo.

Egypt was believed to be the first country to recognize the regime.



General Omar Hassan Ahmed Bashir meeting with an aide, Brigadier Soubier Mohammed Salen.

Iran-Soviet Deal at \$15 Billion

By Patrick E. Tyler

Washington Post Service

TEHRAN — Iran's new economic agreement with the Soviet Union calls for Tehran's leaders to spend \$15 billion or more on basic industries and power-generating projects.

This is a spending level more than double that previously reported. It represents the largest and most significant step to date in Iran's effort to reconstruct facilities damaged in the long war with Iraq.

In an interview here, Mohammed Javad Irani, minister of economy and finance, elaborated on the Iran-Soviet accord and indicated that Iran would continue to pursue Western technology when it was superior. But he warned: "We will not tolerate high technology to be used as a means to impose on us political matters."

This was an allusion to Iran's longstanding disputes with the West over hostages in Lebanon, terrorism and, most recently, the publication last February of the novel "Satanstoe" deemed blasphemous by many Muslims.

Mr. Irani said earlier state-

ments describing the Moscow accord as a \$6 billion agreement represented only Iran's hard currency expenditures over the life of the 15-year protocol, under which Soviet heavy industries and technical advisers will assist Iran in major construction projects.

"What we have announced is only the foreign currency side of the agreement," Mr. Irani said, explaining that this amount represents the purchase of Soviet "machinery, facilities and know-how that we do not have in Iran."

But in addition, the Iranian government will spend billions of Iranian rials to finance domestic contributions to the projects in manpower, equipment and energy resources.

"The total agreement would be something like \$15 billion or higher," Mr. Irani said. He also suggested that the Soviet Union might displace West Germany as the primary vendor for the completion of Iran's long-delayed Bushehr nuclear power stations.

He said that during a "friendly talk" with the Soviet foreign minister, Eduard A. Shevardnadze, in

Moscow, the Soviet official said he had "advised diplomats and officials of the West to be more patient rather than hasty" in dealing with Iran, which Mr. Irani said was suffering from "ethnocentrism" and "cultural racism" in the "Satanstoe" dispute.

He refused to elaborate on military cooperation aspects of the Moscow accord, saying only, "Both sides agreed explicitly to reinforce the defense potential of Iran." He referred any other questions to Hashemi Rafsanjani, who is acting commander-in-chief of the armed forces under Iran's new spiritual leader, Ayatollah Ali Khamenei.

Iranian officials are already claiming that the Soviet decision to balance its military cooperation between Iran and Iraq is paying off at the bargaining table. Iraq has expressed interest in advancing the date for the next round of negotiations on the stalled cease-fire negotiations that began Aug. 25, 1988.

This is the largest credit financing plan that Iran has signed with any foreign government since the Islamic revolution in 1979, according to foreign diplomats.

POLICY: Uneasy Balance

(Continued from Page 1)

not yet really taken place in the Soviet Union.

"As long as the Soviets have the kind of military forces and doctrines they have, then it seems to me that the president has a responsibility, and those advising him have a responsibility, to ensure that the policies are bold enough to be responsive to change that is under way in the Soviet Union, but are not so bold or imaginative to be irresponsible."

Mr. Gates and his superior, Brent Scowcroft, the national security adviser, gave the president a daily foreign-policy briefing. The views of Mr. Gates provide a barometer of the mood inside the policy-making system that has developed in the Bush presidency.

The less powerful but more highly organized part of the apparatus for shaping East-West policy is called the Deputies Committee. Its responsibility is the nuts and bolts of policy-making — the development of specific initiatives, from arms control to trade matters, vis-à-vis the Soviet Union.

Mr. Gates is its chairman, and it is usually made up of Undersecretary of State Robert M. Kimmitt; Undersecretary of State Reginald Bartholomew; Undersecretary of Defense Paul D. Wolfowitz; Richard J. Kerr, deputy director of the CIA, and a representative from the Joint Chiefs of Staff.

It is in the Deputies Committee that the policy options produced by the various bureaucracies are thrashed out and winnowed down to a few specific choices.

It was the same body, though, that failed to extract from the bureaucracy the sort of bold arms proposals that the president offered at the recent North Atlantic Treaty Organization summit meeting.

While the president has laid out a vision for East-West relations that he has called "beyond containment," the Bush team's policy, judging from Mr. Gates, would be better called "beyond skepticism."

For now, what these policymakers seem to have done is to overcome enough of their own skepticism about Mr. Gorbachev to deal with him on a broad range of issues. But where that will lead ultimately is still anyone's guess.

"I could give you a lot of flowery rhetoric about a peaceful future and a democratic system in the Soviet Union that would be a contributor to world stability and so on and so forth," Mr. Gates said.

"But when it comes to international relations, and particularly when it comes to dealing with the Soviet Union, I am not a dreamer. I deal in reality. The dangers in the world come when people detach themselves from reality and make false assumptions about what is going on in the world."

CITY: Faint Refrains From West

(Continued from Page 1)

buy a bottle in the middle of the day if we feel like it," Mr. Nikolsky added.

The Kazan Cathedral is the center of the Leningrad universe on these long white nights when the sun begins to fade only after midnight and then is back and burning an hour or so later. For years the cathedral has not held any religious services and has served instead as a museum of atheism.

The other night, however, a group of 100 Evangelical Baptists gathered on the cathedral steps to play guitars and sing hymns. They stood next to a sign reading "Jesus mends broken hearts" and in between songs their leader held up a Russian-language New Testament and read from "Revelations."

Near the religious singers a woman held a placard advertising a reading that promised to answer the following questions: "Why are we here?" and "Who are we?"

And at a card table two young men, one with a red beard, the other with no beard, sold tickets to an avant-garde play. Very avant-garde. Their greatest promotion consisted of a series of glossy

black-and-white photographs featuring a naked woman in an arched posture suggesting the prow of the "Good Ship Lollipop." The tickets moved quickly.

St. Petersburg, the city of Pushkin, Gogol and Dostoevsky, or Leningrad, the city of Osip Mandelstam, Anna Akhmatova and Joseph Brodsky, is on some nights — especially these white nights — a brilliant embodiment of all the verse and prose that has been written about its qualities.

Last week, though, the city was hit by rumors that a Bulgarian seer had predicted "an apocalypse in Leningrad." The city, which survived the famine of a 900-day enemy blockade during World War II, took the news calmly. The "apocalypse" was a thunderstorm, and the white nights, a kind of living dream, went on.

You can feel the pain of exile when Mr. Brodsky remembers these nights as "the most magic time."

"On such nights," he wrote, "it's hard to fall asleep, because it's too light and because any dream will be inferior to this reality. Where a man doesn't cast a shadow, like water."

GREECE: Coalition Begins Work

(Continued from Page 1)

Communists for the first time. After inconclusive elections on June 18, in which New Democracy won the most votes, the parties have been negotiating to form a coalition government.

"I can't believe something like this has happened," said Pericles Antonakopoulos, an Athens businessman who supports New Democracy. "A government of conservatives and leftists. It's incredible."

Mr. Tsametakis, who retains the Foreign Ministry portfolio for himself, said that foreign policy matters would "freeze" during his temporary government.

He said this applied to such issues as the U.S. bases agreement and Greek-Turkish relations, which have undergone a delicate rapprochement since January 1988. The countries edged to the brink of war in March 1987.

A U.S. State Department official was reported to have made an unofficial stop in Athens over the last

few days to check on party positions concerning the bases. A five-year bases agreement expired Dec. 20, 1988. Officially, the United States has until mid-1990 to discontinue the bases. Talks on a new accord have been in progress since November 1987.

The process of "catharsis," or cleanup, begins Monday when Parliament convenes.

Parliament must form a 12-member investigating committee, which is to have at its disposal the files from a seven-month parliamentary investigating committee. Parliament then must name, or accuse, the ministers thought responsible and order formation of a special court of higher judges to examine the case.

In Athens, there was concern that three months would not be enough to set in motion the accusation process. Under a ministerial-responsibility law, implicated ministers must be formally accused during the new parliamentary session, or charges will be written off.

By Gerassimos Arsenis, a member of the former parliamentary investigating committee, said the necessary "accusation" step could be carried out during the three-month period.

Indian Doctors End Strike

The Associated Press

NEW DELHI — More than 5,000 doctors at state-run hospitals here ended on Sunday a 47-day strike that had paralyzed medical care to the city's poor. The doctors are to receive pay raises equivalent to \$25 a month, bringing monthly salaries to a range of \$200 to \$269.

Solidarity Eases Power Quest

But Union Decides to Hold Off on Backing for Kiszczak

By Henry Kamm

New York Times Service

WARSAW — Solidarity's new members of Parliament decided Sunday not to try to take more power away from the Communist Party as a result of General Wojciech Jaruzelski's decision not to seek the presidency.

In their first caucus, the 260 newly elected members of parliament also voted to stick to their agreement with the Communists for a gradual democratization of Poland. But they also decided not to announce whether they would support General Jaruzelski's choice for president, Interior Minister Czeslaw Kiszczak.

The parliament is to meet later this week to choose a president.

In the political debate at the caucus, Solidarity discussed what it should do in the event that the Communists in the legislature deny General Kiszczak enough votes to make him president, a post being given new powers.

This was reported by a senior Solidarity leader, who asked not to be named. He said the accord had been reaffirmed after spirited debate in which some members demanded that the leadership strike a deal that would assure the election of General Jaruzelski's choice for

his succession in return for entrusting the formation of the cabinet to Solidarity.

General Jaruzelski has asked the Communist Party Central Committee to nominate General Kiszczak and has not yet responded to a committee request that he himself reconsider running.

"The majority agreed that conditions were not ripe for our taking the government," the senior Solidarity leader said in an interview. "Consequently, we decided not to envisage a change in our attitude. We continue to advocate a step-by-step approach to democratization, which we want to come from below, not above."

This is the position argued Saturday at the caucus by Lech Walesa, the movement's leader, and Bronislaw Geremek, his chief strategist and floor leader of the 99 Solidarity senators. A 100th seat is held by an independent.

The caucus agreed to set its policy on the election of the president on the eve of the vote, which is expected Thursday at the earliest. The president is chosen by the two houses in joint session.

The Communist Party and its coalition partners, as a result of the "roundtable" agreement with Soli-

darity in April and general elections last month, hold 299 parliamentary seats and Solidarity 260. The single independent is believed likely to vote with the Communists.

The Solidarity leader said General Jaruzelski's decision to resign surprised him because the continuation of his presidency, to which important powers will be added, was taken for granted by both sides.

He said he believed that the general decided to quit one of his two posts following Solidarity's announcement that its members would vote against him. The general's pride could not accept 260 hands raised in disapproval, the Solidarity leader said.

General Jaruzelski remains first secretary of the Communist Party.

As a personal opinion, the Solidarity leader, who was imprisoned when General Jaruzelski declared martial law in 1981, said that he was delighted to see the "author of the coup d'état" withdraw in the knowledge that he is hated.

He said Solidarity leaders saw no difference in principle between the two generals from whom the president is likely to be chosen, particularly because General Kiszczak is known to be a close follower of General Jaruzelski.

GULAG: Glasnost Seems a Naive Hope Behind Wire

(Continued from Page 1)

had stolen a revolver from a post office guard.

In December, two journalists from The New York Times were allowed to tour Perm Camp 35 in response to columns by A. M. Rosenthal about Soviet prison conditions and suppression of dissent. During the journalists' visit, Mr. Cherapanov bolted from his sewing machine in the camp workshop to shout: "Gorbachev declared there are not political prisoners any more. I am a political prisoner."

Soviet officials have repeatedly asserted that all "prisoners of conscience" have been freed.

Helsinki Watch, the human rights monitoring group, agrees that those arrested under explicitly political laws like the recently repealed statute outlawing "anti-Soviet propaganda" have been freed, but the group still has a list of about 100 prisoners it considers well-documented violations of human rights.

They include conscientious objectors, people arrested for political demonstrations, psychiatric patients confined for questionable reasons and those, like Mr. Cherapanov, sentenced for trying to flee the country.

Some of the more outspoken Soviet newspapers and magazines have lent credence to this view, especially regarding the abuse of psychiatry. The government paper Izvestia and the weekly Literaturnaya Gazeta have recounted cases of apparently healthy individuals locked up in mental wards for white-blowing or challenging Communist dogma.

Other publications have carried grim accounts of conditions in labor camps, arguing that even genuine criminals should not be subjected to the brutal cold, beatings, disease and humiliation existing at some penal colonies.

Mr. Cherapanov said only about a half-dozen men he considers political prisoners remained among the 60 or so inmates at Perm 35.

But overall, Mr. Cherapanov contends, at least half of those confined in the archipelago of camps, including those charged with non-political crimes, are victims of fabricated charges, hasty judgment, disproportionate sentences — and virtually all suffer from a cruel camp regime.

Before American journalists were admitted to Perm Camp 35, Mr. Cherapanov said, the authorities spent months painting, paving, cleaning and even fattening up some of the prisoners most emaciated by isolation-cell diets.

"It was a Potemkin village," he said, confirming what the visitors suspected at the time. Shortly before the visit, a government commission showed up, ostensibly to hear the grievances of prisoners but, Mr. Cherapanov believes, actually to find out what the Americans were likely to hear.

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Although officials had promised no reprisals, conditions worsened, he said. Some prisoners who had met with the journalists lost their mail privileges, the food deteriorated and those who spoke boldly were harassed.

"After the Americans came, people began to demand the observance of their rights," he said. "They began to send letters to the prosecutor general, to the Supreme Soviet, demanding that their cases be re-examined as political cases. They realized that the world pays attention to such people. That infuriated the camp administration."

Mikhail P. Kazachkov, a young man serving a sentence for treason who yelled to the journalists from a hospital window, and Leonid Y. Lubman, who says his crime was preparing a manuscript detailing corruption among party leaders, were both confined in punishment cells with reduced rations, Mr. Cherapanov said.

Mr. Cherapanov said he would return to Lithuania and give the Gorbachev program a closer look. But he said he believed that the state police, affronted at his early release, would look for a way to get back at him, and he said he would probably apply to go abroad.

"Personally I would like to believe in it," he said. "I hope this process of democratization will not stop. But nothing has happened yet to make people sure about tomorrow."

DRUGS: Plan Urges U.S. Military to Expand Its Role

(Continued from Page 1)

pressed concern that greater military involvement, even for non-combat purposes, could lead to a use of force.

"In some cases, you make things better," an administration official said. "And in others you can make things worse. Whatever piece of it goes wrong, and pieces will go wrong, the criticism is such that it may undermine the other things that you want to do."

Robert S. Ross Jr., executive assistant to Attorney General Dick Thornburgh and a member of the National Security Council panel, would not comment directly on the deliberations.

But he said in an interview that if it ever came to a point at which U.S. leaders said, "We can no longer engage in law enforcement with regard to drugs," or if they said, "We have got to go to war against a country," then, he said, "That is a very serious decision, and one ought not back into that unconsciously."

He said that if the decision was made "to militarize drug interdiction," then the Justice Department would have no further role.

The Drug Enforcement Administration of the Justice Department provides some assistance to Latin

American countries in enforcing their anti-drug laws, but on a small scale.

John P. Walters, chief of staff to the federal narcotics-control director, William J. Bennett, who is chairman of the security-council task force, responded by saying that the military would be used only with great caution and only in an advisory role.

"We're not going to invade another country or resort to unilateral use of forces," Mr. Walters said. "But in areas where law enforcement has become impossible, where traffickers and other forces have created a war zone, we need to provide monetary resources and training assistance."

According to a White House official, the United States is hesitant to use direct force now in part because those countries have made it clear that they would view that as an unwelcome intrusion.

"Columbia, Peru and Bolivia are themselves not interested in or anxious to have direct U.S. military involvement, nor are the people in the U.S.," the official said. "So things are looking more towards training and assistance."

Another White House official stressed that the United States must be careful not to antagonize

the countries it wants to help — "we don't open ourselves up to charges of imperialism."

The officials said the task force's recommendations would be delivered to Mr. Bush at the end of August and included in Mr. Bennett's national anti-drug strategy, which is to be sent to Congress by Sept. 5.

Though it is not known whether Mr. Bush will approve full financing of the plan, John H. Sumnu, the White House chief of staff, suggested that the president was receptive to increased military involvement in the drug war.

"My sense is that Congress wants more of it, and the president is comfortable with it," he said in an interview. "The Pentagon is doing more of it."

Mr. Sumnu also said it was important that the administration provide "more effective coordination and organization with other agencies" in drug interdiction abroad.

The security-council draft calls for using U.S. troops, most of whom would be unarmored and drawn from various branches of the services, to train soldiers in the Andean countries.

Havana Expels Foreign Reporter

Reuters

HAVANA — Cuba on Sunday expelled a Reuters correspondent, saying his reports that a Politburo member had sought protection from the Venezuelan Embassy and that a senior tourism official had been arrested were false.

The director of the International Press Center, Julio Argüelles, announced the expulsion of Gilles Trequesser, 39, who was escorted by the police to the Havana airport and put on a flight to Toronto.

Mr. Argüelles said that the story in the Spanish-language service of Reuters that a member of the Politburo, Osmany Ciencuegos, had asked for protection from the Venezuelan Embassy in Havana was "a complete lie." He also said that Mr. Trequesser's statement in a story issued Saturday that the head of a Cuban tourist bureau had been put under house arrest for involvement in drug trafficking was false.

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Inner Quest
in His Long for Home

Leaders Set Back In Tokyo

Surveys Indicate Electoral Defeat

By Patrick L. Smith
International Herald Tribune

TOKYO — The governing Liberal Democratic Party appeared to suffer an unexpectedly severe setback Sunday in elections to the Tokyo metropolitan assembly, according to unofficial voter surveys. Final returns in the elections were to be announced Monday. But surveys conducted in Tokyo constituencies Sunday evening indicated that the Liberal Democrats may have lost close to half their assembly seats, a far worse result than analysts had anticipated. Voter turnout, at nearly 60 percent, was unusually high.

The Tokyo contests, like a special election held in Niigata Prefecture last week, were viewed widely as a gauge of public dissatisfaction with Japan's entrenched leadership because of unpopular legislation passed last year and a spate of financial and sex scandals that has continued to undermine the party's stability.

The elections Sunday also provided fresh evidence that the Liberal Democrats were likely to lose their majority for the first time in the upper house of the Diet, Japan's parliament, in national elections later this month.

The voting came amid signs of deepening divisions within the ruling party. Several of the party's elder statesmen, including the former prime ministers Takeo Fukuda and Zenko Suzuki, called over the weekend for the resignation of Prime Minister Sosuke Uno, whose private affairs have most recently damaged the Liberal Democrats' political prospects.

Although a modest setback had been expected, the extent of the party's losses was likely to further depress Tokyo stocks and the yen on Monday, analysts said.

Mr. Uno indicated over the weekend that losses of 20 percent or less in the governing party's share of Tokyo assembly seats would be counted a victory.

The party held 63 of the assembly's 128 seats. It had hoped to retain 50, a figure many analysts said was probably too ambitious.

An exit poll conducted Sunday afternoon by a Tokyo political scientist, the results of which were released, indicated that the Liberal Democrats had captured only 25 percent of the vote, compared with more than 30 percent for the Japan Socialist Party. Smaller opposition parties increased the number of their seats in the assembly across the board, the poll indicated.

Masayuki Fukunaka, a professor at Komazawa University, said election losses of that magnitude would increase pressure on Mr. Uno to resign, possibly before the economic summit of advanced nations in mid-July, or before elections to the upper house of the Diet on July 23.

The Tokyo elections were also seen as another precursor of the upper-house contests, which will be the first nationwide polls since the Recruit stock-trading scandal erupted a year ago and a controversial consumption tax was passed last December. The Liberal Democrats are now expected to lose their majority in the House of Councilors for the first time.

"Although the Tokyo elections were local, the issues were national," Mr. Fukunaka said. "The Recruit scandal and the consumption tax are what were on people's minds."

In effect, the Tokyo and Niigata elections have provided the Liberal Democrats with an unflattering image of its standing among both traditional rural supporters and merchants, on one hand, and the urban consumers whom it has been attempting to cultivate.



Prime Minister Sosuke Uno after being made up Sunday for a Tokyo television show.

Asia Uncertain on U.S. Offer

But Some Welcome Initiative for 'Pacific Partnership'

By Michael Richardson
International Herald Tribune

SINGAPORE — Although a U.S. proposal for establishing "a new Pacific partnership" has evoked a mixed response, it is regarded as a major initiative by the nations that will join in talks, starting Monday in Brunei, on closer cooperation between Asian and Pacific trading nations.

Officials of several Pacific and Asian countries said that they welcomed Washington's decision last week to give firm endorsement to Pacific economic cooperation.

But they were wary of the scope of the U.S. proposal, which called for creation of a multilateral institution that would have extensive economic, trade, cultural and environmental responsibilities.

Asian and Western officials said that the significance of a statement on Pacific cooperation by Secretary of State James A. Baker 3d had been overshadowed by the crisis in U.S.-China relations. Mr. Baker announced the proposals last week in a speech to the Asia Society in New York.

The officials said that if consensus could be reached in talks in Brunei next week between Mr. Baker and the foreign ministers of Japan, Canada, New Zealand, Australia and ASEAN, the Association of Southeast Asian Nations, a basis would be laid for arrangements to reduce trade friction and enhance economic cooperation.

Mr. Baker said the United States wanted to achieve "a new closeness of coordination with Japan." America, he added, needed "a more creative sharing of global responsibilities with Japan. And we also need a new mechanism to increase economic cooperation throughout the Pacific Rim."

He said that such an institution for multilateral cooperation among Pacific nations would deal with a wide array of issues, from trade and economic affairs to cultural exchange and protection of the region's natural resources.

Earlier proposals from Japan and Australia suggested that the group should confine itself, at least initially, to economic matters.

Asian officials said Indonesia, Malaysia and Thailand were concerned that the organization outlined by Mr. Baker would overshadow ASEAN and be dominated by the United States and Japan.

But U.S. diplomats said that Mr. Baker emphasized that he would

not be presenting a definitive blueprint for action next week.

Nor, he added, was the plan intended to "hinder" ASEAN. "We will be looking instead for a consensus, drawing on the best elements from various plans," he said.

U.S. officials said that while Europe had established mechanisms to deal with the effects of growing economic interdependence, those that existed in the Pacific were inadequate to cope with the growth of regional trade, investment and commerce.

ASEAN foreign ministers will hold their annual conference in Brunei on Monday and Tuesday. They will meet Mr. Baker and ministers from other Pacific nations, as well as the EC, on Thursday, Friday and Saturday. Proposals for Pacific cooperation will be agenda items in both sessions of talks.

In a satellite interview Friday

with journalists in four ASEAN capitals, Richard H. Solomon, assistant secretary of state for East Asia and the Pacific, said Washington hoped that the discussions in Brunei would lead to "broader mechanisms to promote open trade and avoid growth of regional trading blocs."

He said that it was vital to liberalize regional trade to prevent a global slide into protectionism and exclusive trading arrangements between economically powerful groups of nations, such as the EC, North America and perhaps Japan and the United States.

"Our starting point," he added, "is the importance for everyone of keeping the global open trading system functioning in a healthy manner."

Eight of the U.S. top 20 export markets are in the Pacific. U.S. trade with East Asia, which totaled \$271 billion in 1988, has more than doubled since 1982.

However, Mr. Baker noted that this "explosive growth has been accompanied by imbalances that threaten the integrity of the open trading system."

U.S. officials said that although the U.S. trade deficit with Western Pacific nations fell from \$107 billion in 1987 to about \$92 billion in 1988, it remained at an unsustainably high level.

They warned that if U.S. exports to Japan, South Korea, Taiwan and other Western Pacific countries did not expand more rapidly, imports into the United States from the region would be cut.

Japan, South Korea, the United States, Canada, Australia, New Zealand and the six ASEAN countries — Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand — are likely to be the founding members of any Pacific association.

ASEAN officials said they wanted assurances from Mr. Baker that the United States would not use a Pacific grouping as a forum for "Japan bashing."

In an evident attempt to give such an assurance, Mr. Baker told the Asia Society that change would be required of the United States, not just Japan.

He said the Bush administration was "determined to put our American house in better order" by improving education, sharpening competitiveness, and reducing the trade and budget deficits.

Gorbachev Warns Strife Imperils Nation

By Bill Keller
New York Times Service

MOSCOW — President Mikhail S. Gorbachev has used a nationwide televised address, something he rarely does, to warn the Soviet people that a chain reaction of ethnic conflict threatens to tear the country apart and to stifle economic and political progress.

Declaring that stresses among the scores of minorities were endangering "the destiny and integrity of our state," he said, "If we don't recognize the enormous danger of such phenomena, if they spread, we can expect worse times."

He called for a policy combining greater tolerance of ethnic aspirations and more local autonomy with "the most decisive measures" against those who promote separatism, territorial disputes or ethnic conflict.

The Soviet leader offered no explicit program to stem the spread of ethnic strife, but his broadcast undeniably had a potential for "catastrophe" if the tensions worsened.

Mr. Gorbachev pre-empted the first 20 minutes of the evening news for a somber, prerecorded appeal, a format he has reserved in the past for announcements of major disasters like the Chernobyl nuclear accident in 1986 or to disclose arms control initiatives.

Mr. Gorbachev promised a "profound transformation of the Soviet federation" to give people more control over their local affairs.

In a blow to the hopes of nationalist movements in the Baltic republics and other regions striving for economic autonomy from Moscow, he categorically rejected moves that would sever any region from the Soviet Union.

The Baltic republics, in particular, have pressed for freedom to control their own economic affairs, including the right to print and circulate separate currency and to conduct foreign trade as they choose, without Moscow's control.

The Communist Party has scheduled a special meeting of its 250-member Central Committee later this month to discuss the ethnic tensions.

A growing willingness to accommodate a flourishing of ethnic consciousness was apparent in two weekend events.

In Tallinn, the capital of Estonia, an international conference of scholars called for abrogation of the 1939 Stalin-Hitler nonaggression treaty and secret protocols.

The treaty opened the way to Nazi Germany's 1939 invasion of Poland. The secret additions served as the basis for Soviet annexations in Eastern Europe, including Estonia, Latvia and Lithuania in 1940.

Moscow, fearful that acknowledging the secret protocols would undermine its claims to the three Baltic republics, has tended to cast doubt on their existence, saying intensive searches failed to turn up any originals of the documents. But under pressure from Baltic nationalists, Moscow has been gradually moving toward acknowledging the protocols.

The Tallinn conference, which was a nongovernmental event but had official blessing, said there was no doubt that secret protocols were signed and that they violated the "sovereignty, political independence and territorial integrity" of the Baltic states.

In an article Saturday in the government newspaper Izvestia, a historian wrote that there was convincing evidence of the protocols and said that Moscow's agreement to them represented an "amoral" act by Stalin.

In another sign of greater flexibility toward growing demands by minorities, large and small, the Communist Party newspaper Pravda published a scathing attack on party leaders in Byelorussia for trying to suppress a new movement, the Byelorussian Popular Front.

The party chief of Byelorussia, Yefem Y. Sokolov, was among those criticized by name for "intolerance and aloofness" in the face of widespread attempts to promote

and protect the Byelorussian language and culture and also the republic's ecological environment. While similar nationalist movements have been developing in other republics, the Byelorussian authorities repeatedly refused to let the members of the mass popular movement hold a founding congress in their own republic. The

movement finally met last weekend in neighboring Lithuania.

"It is important that, while firmly countering any manifestations of nationalism, one should be sensitive and responsive to all legitimate ethnic demands and aspirations," Mr. Gorbachev said in his speech. The Soviet leader endorsed "free

development of language and culture" and also "conservation and rational utilization of the environment in which their forefathers lived for centuries."

Pollution of air and water by Moscow-planned industrialization, and despoliation of forests and other resources are among the grievances of ethnic groups.

Gorbachev to Sign 21 Pacts in Paris

Reuters

PARIS — France and the Soviet Union will sign 21 accords during Mikhail S. Gorbachev's visit to France this week, Foreign Minister Roland Dumas said in an interview published Sunday.

One pact is to cover cooperation in space while another is to seek to increase and protect investments. Mr. Dumas gave few details.

"There are no clouds between Moscow and Paris," he told the French weekly Journal du Dimanche, ahead of Mr. Gorbachev's July 4-6 visit. "Twenty-one accords in wide-ranging fields will be signed in the course of this visit."

Bilateral trade is now heavily tilted in favor of the Soviet Union, which supplies gas and oil to France, and a big commercial deal is not expected during the visit.

But Mr. Dumas said the recent creation of about 20 mixed French-Soviet companies was promising.

and he indicated that French business was interested in the Soviet economy's opening up to the West.

Mr. Dumas said the accords would be more than those concluded between the Soviet Union and West Germany during Mr. Gorbachev's recent visit to Bonn.

He classified Mr. Gorbachev's visit to Paris as conforming with France's policy of closer links with the Communist world, in line with trips by President Francois Mitterrand to Czechoslovakia, Bulgaria and Poland.

"We ought to aid the movements taking place in the East," he said, referring to democratization. "We cannot be mere spectators in the face of the current evolution. We have to be active observers."

In the same spirit, the move towards a common Europe embracing the 12 European Community members should be followed by closer ties between West and East Europe, Mr. Dumas said.

A trade and cooperation accord between the EC and the Soviet Union should be signed in the next six months when France will hold the rotating presidency of the European Community, he added.

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Utell International

Asians Dubious On Cambodia Talks in Paris

By BANDAR SERI BEGAWAN, Brunei

ASEAN officials expressed misgivings on Sunday over an international conference in Paris next month aimed at settling the Cambodian conflict.

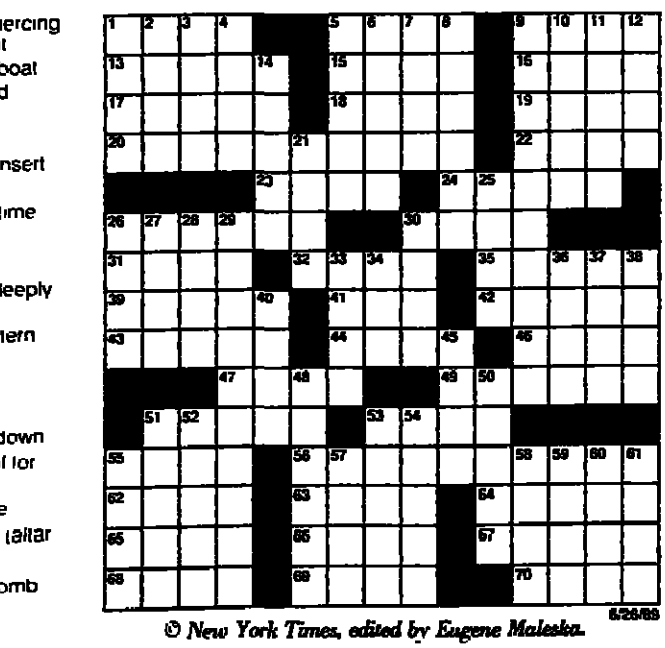
They said Cambodia's three guerrilla armies and the Vietnamese-installed government should first reach a settlement among themselves.

"Unless the four factions have agreed amongst themselves, there is no point in an international conference," said a document prepared in advance of a regional foreign ministers meeting due to start here Monday.

The document said the conference might induce Vietnam to make a planned troop withdrawal from Cambodia as part of a wider settlement.

"However, there are also serious misgivings expressed about its possible outcome," added the paper, drawn up by officials of the Association of Southeast Asian Nations during preparatory meetings for the talks.

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The Agenda for Poles

One imagines General Wojciech Jaruzelski looking through his dark glasses at the strange landscape of Poland in mid-1989. He saw workers marching against him for his earlier imposition of martial law, and Communist Party conservatives drawn up against him for his later patronage of reform. Finding no further place for himself and being — this he must finally be given — a man devoted to his country, he decided not to run for president.

That is to say, at a moment of unimaginable turbulence and uncertainty in Poland's unlikely passage from one-party dictatorship to a form of multiparty parliamentary government, the one person whom the Communist authorities, the Krasinski, and the Solidarity leadership counted on most to steady the transition decided that he was too contentious and worn a figure and that it was best to leave the helm.

It is conceivable that the man he recommended to run in his place, General Czeslaw Kiszczak, will take the office and use it. If this happens, however, it will involve a truly dizzying reversal. General Kiszczak is a Jaruzelski loyalist who as head of the security police locked up Solidarity's leaders and then sat down with its leaders and conducted the negotiation that pro-

duced Poland's startling turn toward democracy this spring. Whether, if he is elevated, he can control Poland's hard-liners in the party and army is problematic, but no more so than whether Lech Walesa, the former challenger who now recognizes the requirement for a steady Communist-led transition, can restrain his own "troops," the restive working force. "A tired society has the right to ask when the sun will shine again over Poland." Try to guess who said that. It was General Jaruzelski.

There are plenty of texts telling how Communists or other armed minorities can seize power. There are none advising them how to yield power. This is the danger now in Poland. Power is being shifted within the narrow institutions created by the ruling state. This state, however, is illegitimate, without popular sanction, and even as it creates a parliament it remains its structures in the army, the police, the bureaucracy, the courts, the Soviet connection. The only institutions that could be considered legitimate and reliable are those which would be created by the broader society acting autonomously without Communist or Soviet instruction, but this has not yet happened. It is the Polish national agenda.

—THE WASHINGTON POST.

The Sakharovs of China

In his inaugural address on Wednesday, the Chinese Communist Party's new general secretary, Jiang Zemin, tried to reassure his listeners that the Chinese government has no intention of persecuting intellectuals because of their past expression of reformist views. But some Chinese intellectuals know better.

Bao Tong, director of the Central Committee's Political Structure Reform Research Center, adviser to Zhao Ziyang, the ousted party secretary, and author of some of the economic reformist who introduced in recent years. Now under arrest.

Du Runsheng, agricultural expert, director of the Central Committee's Rural Policy Research Center, supervisor of its reformist think tank, the Agricultural Development Institute, and principal architect of decollectivization. Whereabouts unknown.

Yan Jiaqi, political scientist, former director of the Political Science Institute of the Chinese Academy of Social Sciences, who advised senior officials on political restructuring. Now in exile.

Bao Zunxin, philosopher and associate of Yan Jiaqi at the Political Science Institute. Whereabouts unknown.

Su Xiaokang, professor of broadcasting at a Beijing university and principal author of "River Elegy," a documentary series shown this year on Chinese television that challenged political orthodoxy on economic modernization. Whereabouts unknown.

Qin Benli, editor in chief of the World Economic Herald, published in Shanghai, who was fired in April after preparing to publish an article eulogizing Hu Yaobang, the reformist heir apparent to Deng Xiaoping until his ouster in 1987. Reportedly under house arrest.

—THE NEW YORK TIMES.

A 'Nixon' for Pretoria?

The white minority in South Africa has put forward its latest plan to refurbish apartheid, and it has met a set of familiar responses. Its sponsors in the ruling National Party, which will be running for reelection on this plan in September, believe that it shows a new flexibility worthy of respectful treatment by the black majority at home and by nations of goodwill abroad. Meanwhile, the few black spokesmen permitted by the government to have a voice in these affairs have pronounced it a pale and inadequate copy of the current setup, based still on the apartheid concept of group identity and group rights.

The content in which this plan is being put forward, however, suggests that it may not be the usual South African story of evasion, stalemate and frustration. True, the three-year state of emergency enforced by the military and police continues, and the organizations and leaders who alone could give reliable expression to black political views remain banned. But there is some nuanced progress in the National Party's formulations. After 40 unbroken years in power, the party has made the choice to accept the loss of its unconstructed right wing to the new Conservative Party, and instead to contend for the white center-left vote against the fledgling Democratic Par-

ty. To replace the declining P. W. Botha as president, the Nats offer Frederik W. de Klerk, 53, a leader with impeccable Afrikaans credentials who has set some people to wondering if he may not turn out to be a "Richard Nixon," capable of tackling the difficult things that someone more liberal would not be allowed to touch.

The Bush administration is edging into its own policy, one building on Ronald Reagan's southern Africa diplomatic success. But unlike Mr. Reagan, who had a tin ear on the internal issues, George Bush is showing a sympathetic personal interest in the struggle against apartheid. He is meeting South Africans (on Friday he saw Albertina Sisulu of the black opposition) and interested Americans, and already he has got Mr. de Klerk quietly soliciting a White House audience of his own. Secretary of State James Baker is trying to broaden the common ground with Congress in the hopes of taking heat out of partisan and inter-brotherly debate over the proper mix of pressure and persuasion.

The American interest is to see — and to help — South Africans of all races sit down and negotiate a common future. The Soviet Union now professes its own new faith in dialogue. This is a different moment.

—THE WASHINGTON POST.

Other Comment

Mexico Deserves a Break

Like marathon runners trying to preserve their strength, representatives of the Mexican government and several major commercial banks last week temporarily suspended negotiations on ways to reduce Mexico's massive foreign debt. It may let them catch their breath, but it is not getting them closer to the finish line, which is a debt-reduction agreement that both sides can live with.

Since Latin America's debt problems reached crisis proportions in 1982, Mexico has been a model debtor. It has accepted the austerity demanded by its foreign creditors, halving the buying power of the typical wage-earner as one price of whipping inflation. To help balance its books, the government has slashed spending on such fundamental needs as education and health. Most

recently, President Carlos Salinas de Gortari has liberalized the economy, selling off state-run companies and opening the country to more foreign investment. Despite that record, the international banks have been no more generous with Mexico than with difficult debtors like Brazil and Argentina.

In fairness to the banks, hammering out a Mexican agreement that all of them like cannot be an easy process. Mexico began the negotiations by saying it wanted a 55 percent reduction in debt. The bankers countered with 15. The gap has narrowed a little, with Mexico's demand down to 45 percent and the banks' counteroffer up to 22. Given the harsh reality that the market value of the Mexican debt is approximately 40 cents on the dollar, it is unfair to ask Mexico to accept a compromise figure below 40 percent.

Los Angeles Times.

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Editor for Asia: Michael Richardson, 5 Connaught Road, Singapore 0511. Tel: 472-7768. Tlx: RS5628
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OPINION

Politics Has to Keep Up With the Economy

By Jim Hoagland

PARIS — Life being more audacious than fiction writers, a plot that any self-respecting novelist would reject as farfetched will unfold here in the first two weeks of July.

The leader of the world's Communist movement will arrive in Paris — on the Fourth of July — to appeal to the West to provide him with more capitalist tools to overthrow the collapsing Marxist economies of the Soviet bloc. If he holds true to form, Mikhail Gorbachev will castigate the inefficiencies of central planning as strongly as any free entrepreneur at a Rotary Club barbecue. He will pledge to bring more capitalistic market mechanisms into his economy.

Ten days later, George Bush and the other leaders of the world's seven wealthiest industrial democracies will sit down for dinner on the officially designated 20th anniversary of the French Revolution. While crowds outside in the Place de la Concorde celebrate the

talitarian societies turn out to be far more complicated than many in the West thought.

Optimists had assumed that even piecemeal reforms built on introducing free market mechanisms into the economy ultimately would produce a political transformation of Marxist society, even if the leadership did not intend that to happen. In China's case, the leadership was prepared and able to use brute force to erase, at least temporarily, the political consequences of free-market economic reform.

The Chinese actions point up an essential dichotomy in Communist history that surges to the surface again as the debate over blending political and economic reform intensifies. The Chinese are jettisoning Marxism, an economic theory that has been shown to be a total failure. But they cling to Leninism as their political dogma, investing control in the Communist Party and permitting no challenge to its rule, whatever the economic consequences may be.

Across the globe in Eastern Europe, the Polish and Hungarian parties are taking exactly the opposite approach of yielding political power to opposition groups in hopes of getting their stagnant economies functioning again. But what is common to these experiments is the open recognition of the dominance of political factors over economic ones in Communist-ruled societies.

Emerging from the bloodshed in China and Eastern Europe is a new awareness that piecemeal reform is ill-suited to making profound changes in totalitarian systems. Hopes that gradual change could produce "a third way" between capitalism and communism that would minimize turmoil have also been seriously set back in the past two months.

Mr. Gorbachev and his allies now virtually admit that they have been using isolated and inconsistent reforms to attack the vast and interrelated economic problems that afflict command economies, where bureaucrats decide production levels and then assign products to the state marketing system. The image is one of party leaders pushing on one side of a giant balloon which absorbs them and bulges outward elsewhere until the reformers pull back.

It is a pattern foreseen by Yugoslavia's dissident Communist philosopher, Milovan Djilas, who wrote in 1969 in "The Unhappy Society" that "until the Communist monopoly of political power is broken, reform, however well intended, will have no real value."

Mr. Djilas expanded on that idea in an interview last week with the Financial Times of London: "You cannot struggle against capitalism to achieve something more efficient, because it is the most efficient... The root of the problem is socialist ownership. This is a fiction. It does not exist. No one knows who is the owner of anything. There is no room for private ownership... The whole system must be overthrown."

American economists who recently made the case that only legalization of private property would produce dramatic change found a receptive audience among their Soviet counterparts.

More important, the Soviet Union's new Congress of People's Deputies recommended in June that the government draw up laws creating "many various forms of socialist property" and easing laws on long-term leaseholds by individuals. The committee that drafted the recommendations included Gorbachev allies.

The experience of Eastern Europe and the Soviet Union suggests that a certain threshold

of political change is necessary before a profound liberalization of the economy can occur. China makes the same point in mirror image: Economic reform is necessary but not sufficient to accomplish the transformation of a totalitarian society in a short period of time.

"Radical reforms are possible on the basis of parliamentary government but not revolutionary socialism," observes Paul Hirst, a British political scientist and a socialist himself.

In the past 18 months, Mr. Gorbachev and the reformers in Hungary and Poland have reversed field and started emphasizing political rather than economic change as the leading component of reform. They have adopted the view that only the mobilization of popular support through political liberalization will enable them to accomplish economic reforms.

They have also apparently come to terms with the idea that, as a Hungarian economist put it, they must become part of "a world economy that is regulated basically by capitalist economic laws." He added, "There is no way around this, and we have to conform."

Speaking to a group of West German business executives in Cologne last month, Mr. Gorbachev said: "Integrating the Soviet economy into the world economy has become part and parcel of our domestic development... We are building a fundamentally new mechanism to govern our foreign economic relations. In doing so, we are seeking to make that new system compatible with the relevant GATT requirements."

In that speech Mr. Gorbachev indicated clearly the deep concern felt in the Soviet bloc about the rapid economic transformation that is occurring in the industrial democracies and the gap that is steadily widening between free-market and socialist economies.

The arrival of the third, information-based industrial revolution has left centrally planned societies at a severe economic disadvantage and provoked the moves toward economic and political "reconstruction," or perestroika.

As long as growth was based on expanding plant, the Stalinist command system established in China and Eastern Europe at the end of World War II could claim to produce results. But in an era when growth is based on increasing productivity, not production units, the command system has rapidly become first an economic and now a political dinosaur.

The ultimate justification of Communist

rule was not economic efficiency but social justice. But in the modern global economy, state enterprises cannot operate efficiently enough to finance an effective welfare system. The benefits to be shared do not exist in these poorly managed, centrally planned systems.

Mr. Gorbachev's speeches trace a sharp awareness of the depth of the problems he faces and the radical nature of the changes needed, but it is not yet clear how he intends to go about the task.

It would be a big help to the socialist countries attempting reform if the West had some kind of blueprint of how you go from a centrally planned economy to a free-market one. You get the impression sometimes that they are looking for something like that," says John Edwin Mroz, head of the New York-based Institute for East-West Security Studies, which has done pioneering work on reform in the Soviet bloc.

It is appealing to think of Mr. Gorbachev studying Prime Minister Margaret Thatcher's privatization program for the industries nationalized by Labor for clues on what to do with Gosplan. But, as Mr. Mroz points out, "We don't have such a blueprint, of course. We have never gone through an experience resembling what is happening to Eastern Europe and to the Soviet Union. It should make all of us fairly humble about the judgments we make on the nature and pace of change there."

Mr. Djilas, the visionary Yugoslav, shares that sense of unpredictability. "We are now on the verge of some of the greatest events in the history of the world. It is not a world that is new, but a world that is new practically dead. And that third of the world must find a new way — how, nobody can say. We need a new politics."

The Washington Post.



Relating to China: The Russians, Too, Are Watching the West

By Flora Lewis

PARIS — There are valid grounds for debate on how far the United States and allies should go in response to China's brutal new policy of repression.

Sheer indignation is natural, but emotion alone is a poor base for complex international decisions. The arguments over sanctions confuses rather than clarifies. It makes the issue repulsive, which is not the point.

The purpose is to exert all possible influence to make China's leaders see the great cost to their own hopes for modernization that they are now imposing on themselves and their nation.

The new party leader, Jiang Zemin, has pledged to inflict "severe punishment without an iota of mercy" on those involved in what Beijing offi-

cially labels "the counter-revolutionary rebellion" attempting to "install capitalism in China and make it dependent on certain foreign countries." But Beijing has also said it wants to continue policies of "openness" and "economic reform."

The answer is that if China wants partners, it has to take their interests and their views into account. This is not "interference" or "retaliation." Expression of moral outrage and disgust is the right of individuals who cherish human and democratic values, and even the duty of every government that represents them.

It is bad enough that opinion is

suppressed. There is no reason for the West to speak softly for fear of provocation. The U.S. Congress was right in its unanimous condemnation.

If anything, world reaction does seem to have persuaded Chinese authorities to see the obscene trumpeting of executions and, just possibly, not to go on killing.

Deng Xiaoping would not have been able to lead China out of its monstrous Cultural Revolution had the death rule been applied when he was disgraced, twice, under Mao Zedong. What new extraordinary leaders have now disappeared forever?

Beyond that, it must be made clear

that even strictly economic relations require confidence and respect. Mr. Deng may be thinking of Lenin's saying that capitalists will sell the rope to hang them with. He forgets that they want the deal to promise reward.

The European Community has gone beyond the United States in showing that the West cannot have confidence in promises of reform and peaceful intentions from a regime behaving as Beijing is doing. It has announced "postponement" of new economic and technical cooperation projects, credit insurance and World Bank loans. The EC is China's largest trading partner after Japan. This will hurt China's capacity to import.

Beijing's leaders claim that they are producing the "stability" needed for economic development. "Stability" based on the gun offers no sound investment. If business executives still want to bet, at the least there should be no tax-supported guarantees.

President George Bush is right to insist that precise measures need careful consideration. They should be well aimed to have maximum impact on the regime and cause the least extra distress for the people. They should be tied to specific demands so that compliance can be monitored and relief granted when appropriate.

Above all, they should not cut communication, as withdrawing diplomats would, because the point is not to isolate China but to define the basis for pursuing its interests in the world.

But Mr. Bush has been too reticent in identifying suitable moves. No American interest is served in helping Beijing make its crackdown effective. The Soviet reaction is intriguing.

Officially it is cautious, avoiding judgment, not only on events in China but also on Western sanctions. But Andrei Gromyko, deputy head of the Central Committee's International Department, said there is "diversity of opinion" in the Soviet Union. "Government policy is not identical with public opinion." He was speaking at a news conference in Paris before Mikhail Gorbachev's visit this week.

Everyday Ambartsumyan, member of the delegation and department chief of the Institute for the Economy of the World Socialist System, put the difference bluntly. "We can't be neutral. We have to show we side with the students because we recognize our own past in what happened there. We don't want it to be our future."

Russians, too, are looking to see the effects of what pro-Gorbachev officials consider to be Mr. Deng's inexplicable aberration from the needs of reform. How the trading world deals with China will weigh on their own expectations at moments of critical decision. The United States cannot be the laggard in leaving the illusion that repression pays.

The New York Times.

Correction

A transmission error, dropping the word "not," changed the sense of a passage in A. M. Rosenthal's column on this page Saturday from Jerusalem. The passage should read: Mr. Shamir's friends, and his enemies, are convinced that the proposals are not simply a tactical bluff on his part, and after days of talk here so am I.

100, 75 AND 50 YEARS AGO

1889: Pope to Depart

ROME — The Pope, in a secret consistory held yesterday (July 1), decided to leave Rome, and mentioned that Austria and France had offered him an asylum. Silence regarding the matter was imposed on the Cardinals present. The decision of the Cardinals respecting the departure of the Pope from Rome in case of war was influenced by the consideration that in that event His Holiness would not only be a prisoner, but also a hostage of the Italian Government.

1914: Serbs Attacked

BELGRADE — News received from Mostar states that most of the houses belonging to Serbs have been set on fire, and that many Serbs have been killed. In all the other towns of Bosnia and Herzegovina similar excesses have been committed and the situation of the Serbian population is very critical. The news has caused great excitement here and the students are

organizing a mass meeting of protest at which a certain number of political notables are likely to be present.

1939: A House Revolt

WASHINGTON — With both houses in open revolt, the Administration leadership started mapping its strategy today (July 2) for the stiff fight through which it hopes to regain control of the nation's domestic and foreign policy. Flushed with victory, the Republican opposition was eliciting dissident Democrats, and predicted it would be able to command a majority at both ends of the Capitol when Congress meets Wednesday to fight out the three vital issues before it — neutrality, the President's monetary powers and the Administration's self-liquidating lending program. Senator Robert A. Taft, Republican, asserted that he believed the neutrality and monetary rebuffs had the approval of the country. "The Republicans are more united than ever before," he said.

The writer is a research fellow at the Royal Institute of International Affairs in London and editor of The Pacific Review. He contributed this column to the International Herald Tribune.

—Thomas B. Gold, commenting in the Los Angeles Times.

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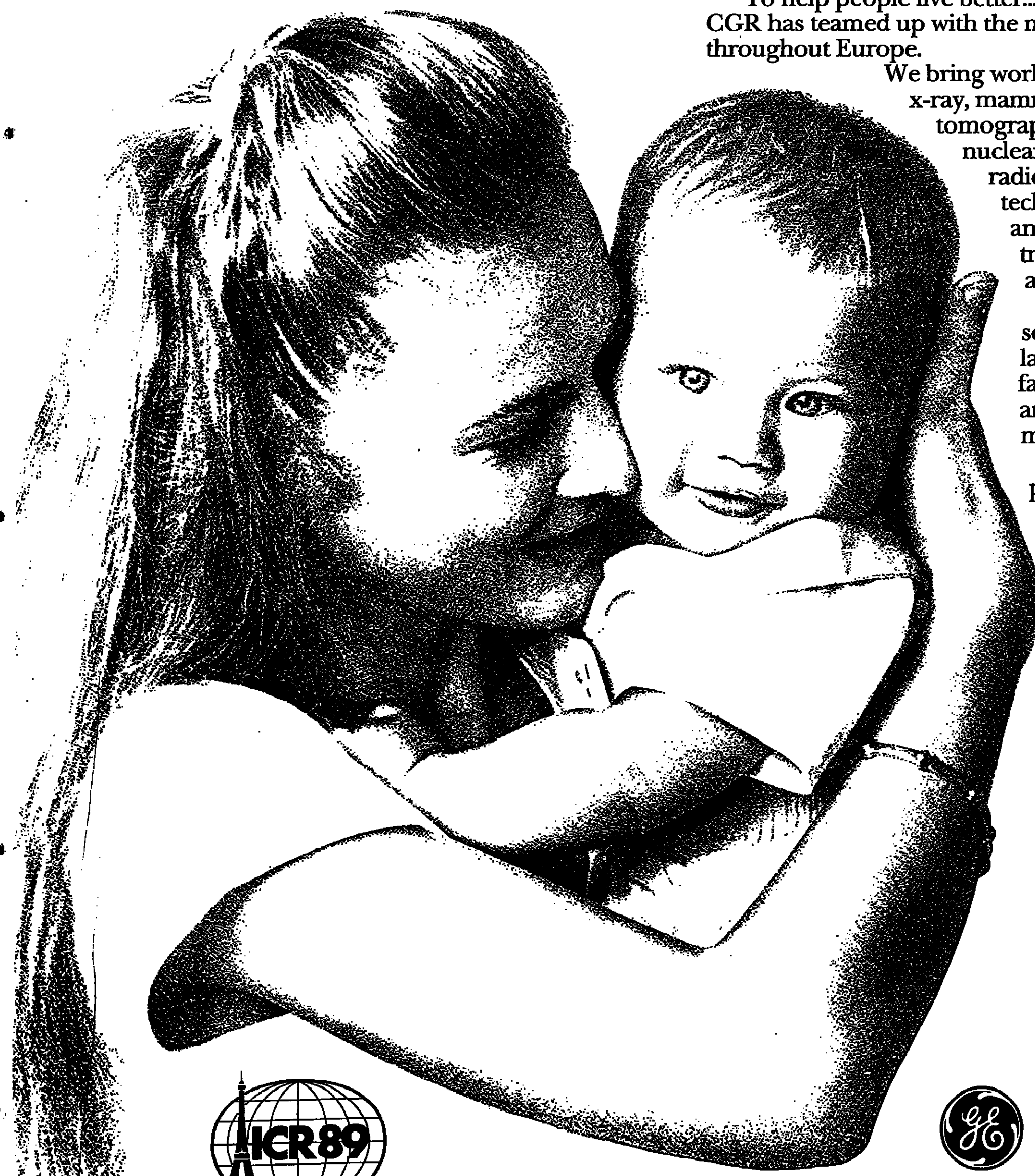
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Prices may vary according to market conditions and other factors.

Issuer	Con	Mat	Bridge	Yld Mat	Spd Tray	Issuer	Con	Mat	Price	Yld Mat	Spd Tray
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Issuer	Can Not Price
1. <u>General Electric</u>	
2. <u>General Motors</u>	
3. <u>IBM</u>	
4. <u>Johnson & Johnson</u>	
5. <u>Merck & Co.</u>	
6. <u>Procter & Gamble</u>	
7. <u>Union Carbide</u>	
8. <u>Walmart</u>	
9. <u>Exxon</u>	
10. <u>Boeing</u>	
11. <u>Microsoft</u>	
12. <u>Apple</u>	
13. <u>Amazon</u>	
14. <u>Facebook</u>	
15. <u>Google</u>	
16. <u>Twitter</u>	
17. <u>LinkedIn</u>	
18. <u>Slack</u>	
19. <u>Zoom</u>	
20. <u>Dropbox</u>	
21. <u>Spotify</u>	
22. <u>Netflix</u>	
23. <u>Amazon Prime</u>	
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[illegible]**Prices as at close of trading Friday
June 30**

Chemical Bank									
C.N.C.A.	12/2	1024	855	+165	Chemical NY-90	93	72	152	+102
C.F. Pender X/w	12/2	1095	835	+260	Chemical NY-91	94	64	9/3	+98
Chemical NY-92	95	79	102	+102	Chemical NY-92	95	60	144	+102
Denmark	7/1	72	95	+232	Chemical NY-93	96	64	9/3	+98
Denmark	7/1	72	106	+347	Chemical NY-94	97	50	14	+98
Denmark	7/1	72	106	+347	Chemical NY-95	98	45	9/3	+98
Denmark	7/1	72	106	+347	Chemical NY-96	99	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-97	97	50	14	+98
Ensofin	7/1	72	93	+214	Chemical NY-98	98	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-99	99	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-00	00	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-01	01	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-02	02	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-03	03	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-04	04	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-05	05	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-06	06	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-07	07	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-08	08	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-09	09	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-10	10	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-11	11	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-12	12	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-13	13	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-14	14	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-15	15	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-16	16	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-17	17	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-18	18	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-19	19	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-20	20	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-21	21	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-22	22	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-23	23	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-24	24	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-25	25	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-26	26	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-27	27	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-28	28	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-29	29	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-30	30	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-31	31	45	9/3	+98
Ensofin	7/1	72	93	+214	Chemical NY-32				

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For information on European investor meetings scheduled July 3 through July 7, 1989, contact Alan Bulmer, Georgeson International, London; telephone 01-588-6050, fax 01-920-9405.

Fabergé Inc. and Elizabeth Arden
for \$1.55 billion.

OTC Consolidated trading for week ended Friday.

(Continued on next left hand page)

New International Bond Issues

Compiled by Bassam Aoun

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price end week	Terms
FLOATING RATE NOTES						
Mellon Bank	\$200	1994	0.20	100	—	Over 3-month Libor. Callable at par in 1990. Fees 0.40%. Denominations \$100,000. (Kiddie Paddy Securities.)
T.C. Ziraat Bankasi	\$140	2001	1%	100	—	Over 6-month Libor for the first three years, from 1992 to 1995 issue will pay 1% points and from 1995 to maturity it will pay 1% points. Callable at par in 1992. Structured. Fees 1.00%. Denominations \$100,000. (Bankers Trust Int'l.)
Alliance & Leicester Building Society	\$150	1996	1/16	100	—	Over 3-month Libor. Callable at par in 1994. Fees 0.15%. (Baring Brothers & Co.)
Bristol & West Building Society	\$150	1994	1/16	100	—	Over 3-month Libor. Callable at par in 1992. Fees 0.16%. Denominations \$100,000. (J.P. Morgan Securities.)
FIXED-COUPON						
Algemeine Bank Nederland	\$200	1994	9%	101 1/2	100.12	Noncallable. Fees 1% (Algemeine Bank Nederland.)
American Stores	\$100	1994	9%	101.80	—	Noncallable. Fees 1.00%. (J.P. Morgan Securities.)
Bergen Bank	\$10	1992	15	101 1/2	—	Redemption limited to oil price. Fees 1.00%. Denominations \$100,000. (J.P. Morgan Securities.)
City of Kobe	\$150	1999	8%	101.40	100.30	Noncallable. Fees 2%. (Bank of Tokyo Capital Markets.)
E.I. Du Pont de Nemours & Co.	\$250	1994	9	102.33	100.62	Noncallable. Fees 1.00%. (Goldman Sachs Int'l.)
Electricity Corp of New Zealand Finance	\$200	1996	9%	101 1/2	100.12	Noncallable. Fees 1.00%. (J.P. Morgan Securities.)
General Motors Acceptance	\$300	1996	9	101.42	99.37	Noncallable. Fees 1.00%. (Morgan Stanley Int'l.)
Industrial Bank of Japan	\$80	2004	9%	102 1/2	—	Noncallable. Fees 2.00%. Denominations \$100,000. This is the first tranche of a \$140 million, with remainder on top. (J.P. Morgan Securities.)
Japan Development Bank	\$200	1994	8%	101.57	100.12	Noncallable. Fees 1.00%. (Bank of Tokyo Capital Markets.)
European Investment Bank	\$100	1999	10%	98.55	95.85	Noncallable. Fees 2%. (Baring Brothers & Co.)
Int'l Paper Co.	FF 500	1994	9%	101 1/2	99.65	Noncallable. Fees 1.00%. (Banque Paribas de Paris.)
Kingdom of Denmark	FF 1,000	1996	9	101 1/2	99.425	Noncallable. Fees 1.00%. (Credit Lyonnais.)
Oesterreichische Kontrollbank	CS150	1999	10%	101 1/2	100.25	Noncallable. Fees 2%. (J.P. Morgan Securities.)
World Bank	CS 150	1999	10%	101 1/2	100.12	Noncallable. Fees 2%. (J.P. Morgan Securities.)
Credit Lyonnais	Aus 50	1990	21	101 1/2	100.87	Redemption is in either Australian dollars or in Belgian francs at a fixed rate of 29 Belgian francs per Australian dollar or the borrower's option. Fees 1%. (Bankers Trust Int'l.)
IBM Australia Credit	Aus 75	1993	15%	101 1/2	99.875	Noncallable. Structured. Exchangeable into an identical Domestic issue. Fees 2.00%. (Bank Securities.)
New South Wales Treasury	Aus 70	1999	11 1/2	98.575	—	Noncallable. Structured. Exchangeable into an identical Domestic issue. Fees 2.00%. (Bank Securities.)
State Electricity Commission Victoria	Aus 150	1996	zero	39%	38.60	Yield 14.35%. Noncallable. Fees 1.00%. (Homburg Bank.)
Indosuez Australia	NZ\$50	1991	14	101.90	100.65	Noncallable. Fees 1.00%. (Fay Schwab U.K.)
Toshiba America	¥ 10,000	1994	8	114.86	—	Noncallable. Fees 1.00%. Denominations 100 million yen. (Shimizu Lehman Hutton Int'l.)
EQUITY-LINKED						
Golden Co.	\$100	1993	open	100	100.50	Coupon indicated at 4.00%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.00%. Terms to be set Jul. 3. (Yamichi Int'l Europe.)
Mitsubishi Petrochemical Co. (Europe)	\$220	1994	open	100	99.875	Coupon indicated at 5%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.00%. Terms to be set Jul. 5. (Yamichi Int'l Europe.)
Mitsubishi Petrochemical Co. (Asia)	\$100	1994	open	100	99.875	Coupon indicated at 5%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.00%. Terms to be set Jul. 5. (Yamichi Int'l Europe.)
Nichimen	\$300	1993	4	100	99.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 610 yen per share and at 142 yen per dollar. Fees 2.00%. (Daiwa Europe.)
Omnicom	\$100	2004	6%	100	98.50	Puttable at \$125 in 1994. Callable in 1994 to yield 9%, and in 1994 of par. Conversion price is \$28. Fees 2.00%. (Morgan Stanley Int'l.)
Sonrio Co.	\$200	1993	4%	100	107.75	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 4,223 yen per share, a 25% premium. Fees 2.00%. (Yamichi Int'l Europe.)
Shimizu	\$700	1993	open	100	101.00	Coupon indicated at 4.00%. Noncallable. Each \$10,000 note with two warrants exercisable into company's shares at an expected 25% premium. Fees 2.00%. Terms to be set Jul. 5. (Yamichi Int'l Europe.)
Suez Finance	\$166.65	1994	5	110	—	Each \$5,000 note with one warrant exercisable into one share in Compagnie Financière de Suez at 335 francs. Fees 2.00%. (Banque Indosuez.)
Mitsubishi Petrochemical Co.	DF 200	1994	2%	100	97.75	Each 10,000 guilder note with two warrants exercisable into company's shares at 250 guilder premium. Fees 2.00%. Terms to be set Jul. 4. (Amsterdam-Rotterdam Bank.)
WARRANTS						
Citibank NA	1	1990	—	\$24	—	Put warrant entitling holders to sell \$500 of a fixed exchange rate of 3 Deutsche marks per pound. (Citicorp Investment Bank.)
Citibank NA	1	1990	—	\$14	—	Put warrant entitling holders to sell \$500 of a fixed exchange rate of 2.50 Deutsche marks per pound. (Citicorp Investment Bank.)
Citibank NA	1	1990	—	\$8	—	Put warrant entitling holders to sell \$500 of a fixed exchange rate of 2.50 Deutsche marks per pound. (Citicorp Investment Bank.)

Malaysia Fears Epidemic As U.S. Attacks Palm Oil

By Michael Richardson

International Herald Tribune

KUALA LUMPUR, Malaysia

—As the target of a negative U.S. campaign linked to heart disease, Malaysian producers of palm oil are worried that American curbs on their product might undercut important markets throughout the world.

Ismail Ibrahim, director of a Malaysian association of palm oil, rubber, tea and cocoa plantation owners, summed it up when he said, "Somehow, whether we like it or not, the Americans often set consumer trends for the rest of the world."

Other important palm oil markets include India, Pakistan, the Middle East, the European Community, Japan, the Soviet Union and China.

The EC has been under pressure from rapeseed and olive oil producers to tax palm oil, while both the United States and the Europeans export subsidized kitchen oils to Pakistan and other markets that Malaysia has developed for palm oil.

Recent U.S. ads, claiming that the public was being "poisoned" by palm oil, were signed by Phil Sokolof, president of the National Heart Savers Association, which he largely finances. Mr. Sokolof, 66, whose wealth comes from a family steel-products company, blames cholesterol for a heart attack he suffered.

In earlier ads, the American Soybean Association said that "to reduce your risk of heart disease, look for foods made with pure, low-in-saturated-fat soybean oil."

The United States is the largest producer of soybean oil. Malaysia is the leading producer of palm oil, followed by Indonesia. Both oils are used in a wide variety of food products

from biscuits and snacks to dairy creamers.

In the past few years, competition has become intense for an "international market worth about \$8.8 billion."

The U.S. campaign "is a trade issue hiding under the guise of a health issue," said Lim Keng Yaik, Malaysia's minister of primary industries.

If the smear campaign against palm oil continues, Mr. Lim said, Malaysia would publicize recent research into soybean oil.

According to Augustine S.H. Ong, director of the Palm Oil Research Institute of Malaysia, about 70 percent of the soybean oil consumed in the United States was thickened by hydrogenation, which increased saturated content to nearly 28 percent.

Mr. Lim noted that palm oil's share of the global trade in edible oils and fats climbed from about 5 percent a decade ago to nearly 35 percent in 1988, mostly at the expense of soybean oil.

He also said Malaysian palm oil accounted for less than 2 percent of the U.S. consumption of oils, and added: "So with such a small share of the U.S. market, how can earth can be killing the American public?"

The U.S. Food and Drug Administration reached a similar conclusion about tropical oils.

Nonetheless, over the past nine months more than 10 major U.S. food processors have announced that they will stop using tropical oils.

Larry Hase, a spokesman for Pillsbury Co., said that although the medical evidence was not conclusive, "it is evident to us that the consumer has spoken."

PHILIPS: A Protected Giant Seeks the Bottom Line

(Continued from first finance page)

ment the strength of its research and development activities.

Although Philips invented the audio cassette in the 1960s, the compact disc in the 1970s, and the compact disc in the 1980s, its marketing efforts failed to seize and exploit the commercial value of these products.

Bill Coleman, an analyst at James Capel in London, describes the Philips marketing as "abysmal."

Mr. Jecol, while arguing that Philips has recently been a pioneer in finding new applications for the compact disc, conceded the Dutch company has not always been quick off the mark. "If people say that the Japanese have been somewhat faster in the past in bringing new products to the market, then they're right."

Another element of the Philips plan is to become truly global. This means building up its North American and Asian operations so that each represent roughly a third of sales. Europe's share, which now totals slightly more than 60 percent, is destined to decline.

Philips is particularly eager to grow in North America, where profits still are small. In 1988, Philips generated only 37 million guilders (\$16.8 million) of operating profit in North America, though its sales in the region added up to the equivalent of 12.5 billion guilders, or 22 percent of the company's worldwide sales.

The Dutch company has gradually been introducing the Philips name into the United States, where its best-known brands were Magnavox, Philco, Norelco and Sylvania.

By fashioning a more cohesive global group and concentrating on its strengths, Philips hopes to boost its net profit to the equivalent of 3 percent of sales by 1991, the year of the company's centennial. Analysts say this will not be easy, as net profit margins in 1988 were 0.9 percent, well below the 4 percent to 5 percent achieved by Japanese companies.

Still, analysts expect Philips to show some improvement in 1989, helped by extraordinary gains from the sale of assets. Thomas Thomson, an analyst at the Dutch investment bank Pierson, Gelding & Pierson, said profit per share, including extraordinary gains, should rise to 4.50 guilders in 1989 from 4.12 guilders in 1988.

In the past couple of years, Philips has had to rely on extraordinary gains to help produce respectable profit growth. In 1988, proceeds from the Windrop transaction

brought a 29 percent increase in net profit, to 1.06 billion guilders. Net profit from normal business operations, however, was flat at 531 million guilders.

The lackluster Philips profit record is reflected in its stock price. Finishing last week at 38.50 guilders, the stock is one of the few in the Netherlands that have not yet returned to levels prevailing before the stock market collapse of 1987.

It was trading at more than 48 guilders the week before the plunge.

By the company's own estimation, the net asset value of its shares is slightly higher than 60 guilders.

Analysts unanimously supported the Philips decision to move out of areas that are not considered strategically important and to sell nonessential assets.

"If Philips can realize some more capital gains, it can pay back to shareholders a bit of what they've been missing out on in recent years," Mr. Coleman said, citing such recent transactions as the sale of the Philips office in Paris and the disposal of its activities in the Swedish defense industry.

Another divestment likely to take place later this year is the sale of its U.S. defense electronics subsidiary, Magnavox Government & Industrial Electronics Co.

Analysts believe that other disposals are in the cards, with most of them likely to occur in the information technology and communications sectors.

In 1987, Philips tried to live off its medical equipment business and turn it into a joint venture with the General Electric Co. of Britain. This attempt failed when the two sides could not agree on a price.

Philips is discussing

Future of Subsidiary

AMSTERDAM — NV

Philips is discussing the future of its defense-electronics subsidiary, Hollandse Signaal, with other European companies, a spokesman has said.

The spokesman, Piet Bruijnen, refused Friday to comment on a Dutch television report that the unit was for sale because it was no longer considered a core business. The station also reported a likely buyer was the French arms and electronics maker Thomson-CSF.

Austrian Global Issue Marks Medium-Term Note Advance

By Carl Gewirtz

International Herald Tribune

PARIS — The market for so-called medium-term notes — investor-tailored private placements — made a giant stride last week, when the largest issue for the longest duration was offered by the Austrian Kontrollbank in both the international and U.S. markets.

The 10-year global issue amounted to \$205 million, of which \$130 million was distributed in the Euro-market and \$75 million in the United States. The size and the maturity were the biggest and longest yet seen in the Euro-market, where normally paper is issued in denominations of \$1 million to fill specific pockets of demand as they occur.

The paper was priced to yield 53 basis points, or just over half a percentage point, more than comparably dated U.S. government securities. The registered paper sold in the United States, where interest is paid semiannually, carried a coupon of 8.7 percent, whereas the European bearer bonds carried an annual coupon of 8.89 percent.

Given the registered and bearer versions, the two sections are not interchangeable. Registered paper always remains registered and bearer bonds may be turned into registered bonds — but that is a one-time, one-way switch option investors have that cannot be reversed.

The Austrian bank now has fully utilized its \$300 million global note program and is expected to double the size of the program.

In the syndicated loan market, Bulgaria is making its first appearance in three years, seeking a seven-year credit for \$150 million. Deutsche Bank was appointed to arrange the loan on behalf of the Bulgarian Foreign Trade Bank.

Interest is set at 40 basis points over the London interbank offered rate and the charge on undrawn amounts is set at 184 basis points. The front-end fees are substantial with 15 basis points paid to banks underwriting \$20 million and a further 55 basis points paid on final participations of \$10 million.

Citibank is arranging a \$180 million loan for the private Greek oil refinery Motor Oil (Hellas) Corinth Refineries SA. In fact, most of the money is a refinancing of existing credits and only \$30 million of the total is new money. The loan runs for eight years, but amortization reduces the average life to four years.

Interest is set at 144 basis points over the London interbank offered rate and front-end fees for banks underwriting \$10 million total 25 basis points.

Sumitomo Bank is helping Electricidade de Portugal to refinance an existing loan. The company will be raising in Deutsche marks the equivalent of 23.3 billion yen (\$161.4 million). Interest on the 10-year credit is set at 15 basis points over the interbank rate for the first three years and 17 1/2 basis points thereafter.

Morgan Stanley & Co., which arranged the placement, said the simultaneous offering "represents a major development bridging the two markets" and predicted that arbitrage would prevent any difference in trading levels from developing.

The amount was clearly large enough to have been issued as a

INTERNATIONAL CREDIT

Eurobond, but the bankers said the Austrians preferred to expand their investor base in the medium-term note market for possible future issues. The ability to time offerings to match specific amounts and maturities sought by investors makes such notes a much more flexible instrument than a classic bond offering.

In addition to Morgan Stanley, dealers include Credit Suisse First Boston and Merrill Lynch & Co., which earn a 1/4 percent commission placing the notes. They claim that the secondary for the Austrian paper will be at least as liquid if not more so than a Eurobond because the dealers are committed to making continuous markets in the paper.

The Austrian bank now has fully utilized its \$300 million global note program and is expected to double the size of the program.

In the syndicated loan market, Bulgaria is making its first appearance

U.S. Bonds Gain As Economy Slows

Compiled by Our Staff From Dispatches

NEW YORK — U.S. bond prices rose last week amid growing expectations that the Federal Reserve Board will ease its credit policies soon.

The Treasury's bellwether 30-year bond, the 8 1/2 percent issue that matures in 2019, closed Friday

109 12/32 to yield 8.04 percent, up 1 1/2 points from a week earlier, when the bonds yielded 8.19 percent.

Prices rose in response to several government reports which suggested

that the economy is slowing significantly. The reports raised hopes that the Fed would push short-term interest rates lower in an effort to prevent the slowdown from turning into a recession.

On Wednesday the government reported that its main gauge of future economic activity — the Index of Leading Economic Indicators — fell 1.2 percent in May, the sharpest monthly decline since November 1987.

On Friday, the government said that U.S. factory orders plunged 2.5 percent in May, a much larger drop than expected.

"The decline in factory orders is just the latest indicator that the economy is on a downhill course," said Philip Braverman, chief economist at Irving Securities Inc.

"But the main reason for the

U.S. CREDIT MARKETS

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Egypt: Back in the Fold



Hosni Mubarak and King Hassan II of Morocco arriving for the Casablanca summit, where the Egyptians won readmission to the Arab League.

Arab League Opens Door on Cairo's Terms

End of 10-Year Isolation Is Victory for Mubarak Style

By Henry Tanner

CAIRO — After 10 years of being ostracized by most of the Arabs for signing a peace treaty with Israel, Egypt is back in the fold. The return, on his own terms, is a personal triumph for President Hosni Mubarak. His mix of patience and determination has paid off.

He has made the soothing of tensions his trademark and political strategy, and the method has worked well for him in foreign affairs but not, so far, at home.

Domestically, the Egyptian story is much more patchy. There are forbidding problems: a continuing, unmanageable population explosion, soaring prices, a crushing public debt and mass unemployment. While some sectors of the population, including merchants and artisans, have seen their living conditions improved over the years, the demoralizing gulf between rich and poor is still deepening.

Egyptians and foreigners speak of growing social tension, and the danger of a repetition of the bread riots of 1977 is on everybody's mind including the president's. The most violent of the clandestine groups of Islamic extremists have become more active again in the poor quarters of the cities, and the police — under Interior Minister Zaki Badr — have been cracking down on them, giving no quarter.

"The patience and soothing touch that worked with the Arabs are not enough to solve our existential problems at home," said a longtime official who is disturbed by the sense of drift that he sees around him. The president's defenders reply that he is doing all he can to keep the country on an even keel, and that it is easy for the opposition to cry that he should proclaim a comprehensive concept and show more rigor.

He has certainly been rigorous and consistent in foreign policy. Immediately on coming to power in 1981 he served notice that, in spite of his own misgivings about Anwar Sadat's style and policies, he would continue to honor the Camp David commitments to Israel and the United States irrespective of Arab pressures. He refused to answer the strident attacks of Arab hardliners in kind and ordered the Egyptian press to moderate its tone.

"Now, for the first time in 40 years, we are not angry with anybody around us," said Mustapha Amin, a veteran editor. He added that the calming of the storms would be beneficial to Egypt in many ways.

At the Arab summit in Casablanca in May, the Egyptians say, the Arabs not only accepted no price for Cairo's readmission to the Arab League but accepted some of the key policies for which it had been expelled. What else, they ask, could it mean when the summit endorsed the political concessions of Yasser Arafat, the Palestine Liberation Organization chairman, and accepted United Nations resolutions 242 and 338, which stipulate, among other things, that all countries in the Middle East must be able to live in "secure and recognized borders"?

Continued on page 18

Continued on page 16

IN THIS REPORT

Antiquities 18

Egypt's archaeological heritage brings tourists but conservation worries cloud the picture.

Religious Revival 18

A desire to return to old values appears to be behind a religious revival.

Farming the Desert 19

Some farmers are setting out to prove that the desert can turn green.

Taba Becomes Unusual Joint Venture

By Jeffery Phillips

TABA — The hotel at Taba is a leaf-green oasis, tucked away in an otherwise inhospitable corner of the Sinai Desert and given over to sun worship and beach sports. But many Egyptians and Israelis hope that it will also serve as a model of cooperation between their two countries, yielding commercial and political advantages for both.

Taba's 700-yard (640-meter) beach front was retained by Israel when it withdrew in 1982 from the rest of the Sinai Peninsula, land it had captured from Egypt in the June 1967 war. But it was not until March 15 this year — following a ruling by an international tribunal — that Israel finally quit Taba, leaving Egypt for the first time in 21 years master of its own territory.

Following settlement of the territorial dispute, Egypt paid almost \$40 million compensation to Israel for the 326-room Aviya Sonesta Hotel at the site and the Raffi Nelson beach village adjacent to it.

The hotel, renamed the Taba Sonesta, passed into Egyptian state control (specifically, a company owned by Egypt Air and Banque Misr) and a contract was awarded to the Israeli builder and former owner of the hotel, Eli Paposhado, to run it for 20 years.

Egyptian joint-venture rules say that at least 90 percent of the staff should be hired locally. The hotel currently employs 150 Egyptians and 125 Israelis, with the government clearly willing for the time being to turn a blind eye to this breach of its own regulations.

Thus, an essentially political settlement brought about the first Israeli-Egyptian joint-venture since the two countries signed a peace treaty 10 years ago.

Life at the hotel has not been clear sailing since then. Room occupancy rates, which in 1988 averaged 80 percent over the year, have tumbled dramatically since the handover, despite a reduction of up to \$60 a night — made possible by the employment of cheaper Egyptian labor. Currently, mid-week occupancy rates hardly reach double figures, although at weekends and

on Muslim and Jewish holidays, it can be almost impossible to find a spare bed.

"This hotel was once a wonderful place to come to, and people came in the hundreds," said Eugenia de Sokerna, the manager's assistant. "It's still a wonderful place to visit, but now we have to pass through the Egyptian border and for many people this is an almost insurmountable psychological barrier, to say nothing of the Egyptian bureaucracy at the border."

"It's hard for some people who came here when the hotel was in Israel to acknowledge that it is now in Egypt," she explained. "Many people cannot do that, although we are trying to convince them by maintaining the Israeli atmosphere of the hotel."

Commerce and politics come together here. If the hotel is to prove an economic success under its new ownership, it must continue to attract large numbers of Israelis. The Israeli resort city of Eilat is just 10

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1988 1987	GENERAL MOTORS	59,881.0	25.7	2,087.0	9
1	FORD MOTOR Dearborn, Mich.	48,414.0	(5.9)	1,050.2	21
2	EXXON New York	48,198.0	35.1	1,304.0	17
3	WITT BUSINESS MACHINES Armonk, N.Y.	35,472.7	(2.4)	2,190.0	8
4	GENERAL ELECTRIC Fort Schuyler, N.Y.	33,544.0	6.7	2,337.0	7
5	MOORE New York	22,514.0	16.1	1,768.0	11
6	CHRYSLER Dearborn, Mich.	25,860.0	(3.1)	2,063.0	10
7	TRAVCO White Plains, N.Y.	25,196.0	4.8	1,239.0	18
8	ST. LOUIS MONT DE NEUVILLE New York	21,150.0	1.0	302.0	102
9	PHILIP MORRIS New York	21,070.0	13.6	1,028.0	23
10	CHEVRON San Francisco	19,417.0	13.7	659.1	42
11	ABOCH Chicago	19,336.0	5.3	1,583.0	12
12	SHELL OIL Houston	18,087.8	8.3	1,397.0	14
13	OCCIDENTAL PETROLEUM Los Angeles	17,826.0	28.0	614.0	40
14	PROCTER & GAMBLE Cincinnati	17,034.0	10.5	1,393.0	15
15	UNITED TECHNOLOGIES Hartford	16,962.0	6.9	2,388.0	6
16	ATLANTIC RICHFIELD Los Angeles	16,956.0	24.7	388.0	75
17	EASTMAN KODAK Rochester, N.Y.	16,682.0	59.3	756.0	22
18	BOEING Seattle	16,441.0	13.6	822.0	13
19	3M MINNEAPOLIS	15,792.0	4.2	350.0	70
20	DOW CHEMICAL Midland, Mich.	15,707.0	14.5	762.2	24
21	VEROX Stamford, Conn.	15,072.0	13.1	822.2	16

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Defense Chief's Removal Perplexes Cairo

By Barbara Slavin

CAIRO — In April, President Hosni Mubarak abruptly removed Abdel-Halim Abu Ghazala from the post he had held for eight years, that of Egypt's defense minister, and gave him the ceremonial job of presidential assistant.

The action, while still not authoritatively explained, has spawned many theories about personality conflicts, military overspending, corruption and a scandal involving an attempt to smuggle advanced missile materials from the United States. An Egyptian-American rocket scientist later pleaded guilty in the case, in which Field Marshal Abu Ghazala, who at one time served as military attaché in Washington, has been implicated.

So far, however, it appears that the minister's replacement by Cairo's governor, Youssef Sabri Abu Taleh, will have only a minimal effect on military policies, even though it has shocked political circles by eliminating a declared friend of the United States as well as Mr. Mubarak's only heir apparent.

"When Sadat was killed, everyone said that Egypt's relations with the U.S. would never be the same," recalled a Western diplomat. "Personalities may change but the fundamentals of the relationship don't."

It was President Anwar Sadat who decided after the 1973 Middle East war to break with the Russians and throw his lot in with the Americans in the belief that only Washington could broker a peace treaty with Israel.

The new alliance also brought a bounty in aid, including more than \$13 billion in U.S. credits and grants for arms since 1976.

In the new era of peace, leaders vowed to revamp the Egyptian military and substitute quality for quantity.

While the Egyptians have succeeded to some extent, they have fallen short of their goals in several key areas.

Both Mr. Sadat and Mr. Mubarak sought to diversify weapons sources so that Egypt would never be as dependent on the United States as it had been on the Soviet Union.

However, Egypt's straitened financial circumstances have made annual U.S. grants of \$1.3 billion "our main source for weapons procurement," said the senior Egyptian officer.

Of Egypt's 100 high-quality combat aircraft, 80 are American F-16s.

Although there have been reports that General Abu Taleh, a man with a reputation for cost-cutting, is reconsidering Egypt's most expensive arms project — co-production



Abdel-Halim Abu Ghazala

of the American M1A1 tank — the lack of financing for another main battle tank, as well as the investment already made in a local tank assembly factory, make a change in plans unlikely, Egyptian and Western officials said.

General Abu Taleh is expected to scrutinize the separate economy that developed under Marshal Abu Ghazala and that involved the military in land reclamation, farming, bakeries, cheese production and many other activities of a distinctly civilian nature.

Analysts doubt he will make major cuts in the range of perquisites, including separate schools, stores, apartments and resorts, that Marshal Abu Ghazala also fostered.

Egypt, with an official information policy still mired in the pre-glasser era, does not publish its military budget. The London-based International Institute for Strategic

Studies estimated that Egypt spent \$4.6 billion of its own funds on defense in 1987, about 16 percent of all government spending.

A military expert in Cairo put spending at 10 billion Egyptian pounds (\$4 billion), closer to a quarter of the budget announced for the coming year.

Although Egypt's long-avowed aim — especially when talking to congressional supporters of Israel — has been to slim down its armed forces, their size, while only half that of wartime, has actually increased slightly in the last decade to nearly 500,000 men.

Analysts doubt there will be significant cuts because of the heavy use of conscripts for infrastructure projects, rising civilian unemployment, the decision to maintain old East bloc weaponry that still predominates in Egypt's arsenal and the military's reliance on its own manpower for services such as making uniforms that in Western countries are contracted out to private companies.

"No minister can cut military expenditure in a radical way," said a former senior army officer. "If we adopted the Western way of buying services, we could cut our armed forces by half."

Another goal that has proved elusive is building a sophisticated arms industry.

The Iran-Iraq war provided a temporary windfall. Egypt earned more than \$1 billion selling small arms, missiles and ammunition to Iraq. But sales dwindled two or three years before the war ended last summer as Iraq's own weapons industry increased its capacity, Egyptian officials said.

In the last year of the war, some small Arab Gulf states such as Kuwait ordered Egyptian equipment. But Saudi Arabia, Qatar and the United Arab Emirates — Egypt's partners in the Arab Organization for Industrialization — have still not freed \$700 million in capital for the Cairo weapons complex that was frozen when Egypt signed its peace treaty with Israel a decade ago.

Retired Lieutenant General Ibrahim el-Orabi, former chief of staff of the armed forces and the AOI chairman since 1987, said in an interview that he was optimistic that the money would eventually be unlocked.

General Orabi recently secured a \$500,000 contract with General Dynamics to produce sheet metal and machined parts for F-16s — the first such deal since Egypt officially became a "non-NATO ally" of the United States last year, entitled to bid on American weapons projects.

Despite its frustrations, the military is assured a continued pivotal role in Egyptian society.



Anwar Sadat and Jimmy Carter after a White House meeting in 1980.

Finances Strain U.S. Ties

By Caryle Murphy

WASHINGTON — At a time when there is a glimmer of hope for a Middle East peace settlement, a long-standing desire of the United States and Egypt, relations between the two countries are being severely tested on the economic front.

Washington is concerned and frustrated about Egypt's slow start in reforming its domestic economy and its growing difficulties in repaying \$43 billion in foreign debt, including \$5.7 billion owed for U.S. military purchases.

If Egypt misses a deadline next fall to start repaying the \$5.7 billion, it could lead to a congressionally mandated halt in all U.S. aid, now worth \$2.2 billion, under legislation aimed at keeping military repayments on schedule.

"I see the Egyptian relations as very important," said one U.S. official, "but the Egyptians' economic problems are going to force very tough decisions on the country." Depending on the choices made by Cairo, there could be "a difficult patch" ahead in bilateral relations, he added.

All this comes at a time when a little optimism has crept over the Middle East horizon after several developments conducive to a less violent era in the region. These include the Iran-Iraq cease-fire; Egypt's re-entry into the Arab League and the fledgling U.S. dialogue with the Palestine Liberation Organization, a step long urged on Washington by Cairo.

Egypt is uniquely positioned to assist the United States in that dialogue and in the "peace process" it spawned because Egypt is both an ally of the PLO and the only Arab state with diplomatic relations with Israel.

"The key to our relations is the peace process," said one U.S. official. "We see (the Egyptians) as key participants" in that endeavor, she added.

This convergence of U.S. and Egyptian interests in a negotiated peace settlement, which has been the source of their mutual attraction since President Anwar Sadat's historic trip to Jerusalem in 1977, continues to bind the bilateral relationship.

The Egyptians "see us as the only outside power capable of delivering progress toward a comprehensive peace," said one U.S. official. "However frustrated they get at times" with the pace of progress on that score, "they have hung in there with us."

For example, the same official noted, Egypt was the first and only Arab state to embrace the Reagan peace plan brought to the Middle East by former Secretary of State George P. Shultz last year.

Though Washington has long urged Egypt to undertake economic reforms in its own long-term interest, these pleadings have taken on added urgency in recent months for several reasons. The Bush administration maintained its predecessor's policy of withholding an annual cash payment to Egypt until the United States sees "significant policy reform" in Egypt's domestic economic sphere. The total withheld so far is \$230 million.

Congress concurred with this approach and in

March, the House of Representatives' subcommittee on Middle East affairs, chaired by Lee H. Hamilton, an Indiana Democrat, issued a report that was highly critical of Egyptian economic policies. Mr. Hamilton said that his patience was "wearing thin" with Egypt's handling of its economic problems for which Americans had spent billions "year after year."

But of most concern to U.S. officials is the possibility that Egypt will be unable to meet a November deadline to begin repaying its \$5.7 billion debt for military purchases.

If that deadline is not met, Egypt will be more than a year overdue in military debt repayments, and the United States would be required by law to halt all aid. Now the second largest recipient of U.S. aid after Israel, Egypt gets \$815 million in economic support funds each year and \$1.3 billion for military assistance.

Before Egypt can begin repaying its U.S. military debt, however, it needs first to reach a new agreement with the International Monetary Fund that would permit it to reschedule interest payments on its \$43 billion foreign debt.

Two recent developments underscore Washington's desire to defuse the simmering disagreements with its Arab ally. Originally, Egypt's military debt repayments were to begin July 1; that deadline was delayed until November when Pentagon officials used some creative accounting to apply money Egypt previously paid for other things to its military debt, officials said.

In addition, State Department officials are tying up loose ends on an agreement to release "at least half" of the \$230 million in a sign of approval for some economic reforms recently announced by Mr. Mubarak.

But such 11th-hour attempts to patch over money problems are not enough. Without a major restructuring of Egypt's debt commitments and an increase in its domestic growth, the U.S.-Egyptian economic relationship will remain out of kilter and continue to haunt relations, said William B. Quandt, a Middle East expert who served on the National Security Council under President Jimmy Carter.

As things stand now, Mr. Quandt noted, when Egypt begins repaying its military debt to the United States next year, "they will be paying us more than we pay them. That's nonviable."

Despite these problems, officials say that U.S.-Egyptian ties, 15 years after diplomatic relations were resumed, are strong and resilient. "We have, by and large, a very healthy relationship with Egypt," said a U.S. official.

Nevertheless, the U.S.-Egyptian friendship is one that remains partly hostage to Israeli-Egyptian relations, said Mr. Quandt. "The U.S. basically values Egypt because it has made peace with Israel," he said. "Eighty percent of our 'special relationship' is based on this."

CARYLE MURPHY, on the staff of The Washington Post, is soon to become the newspaper's Cairo correspondent.

Relations With Israel Remain Correct But Distant

By Henry Tanner

CAIRO — Ten years after Egypt and Israel signed their historic peace treaty, relations between the two countries remain correct but decidedly distant.

"We recognize each other's existence but we are neither friends nor partners," a prominent Egyptian said.

The Israeli Embassy in Cairo delivers some 6,000 visas a year, almost all of them to Palestinian students visiting their families in the West Bank and Gaza. Only about 60 genuine Egyptians make the trip every year, most of them tour operators and others dealing with tourism.

Some 70,000 Israelis visit Egypt, according to the embassy.

The trade balance is equally meager. Some \$6 million worth of Israeli goods are crossing the border, and another \$10 million or \$12 million worth are finding their way via Europe. Irrigation machinery and other agricultural equipment and seeds account for most of these amounts.

The figures have barely changed over the years, even as periods of political tension alternated with others of relative calm. The Israelis initially had high hopes for full-fledged trade relations but were quickly disappointed. The Egyptians, with the possible exception of President Anwar Sadat, were determined from the beginning that this should be little more than a "cold peace."

But peace it is. And as such, obviously, it is of primordial importance to both. There is more than symbolic meaning in the fact that the Israeli flag flies on the roof of the embassy behind the bank of the Nile even while the flags of almost all the Arab nations have gone up around Cairo.

President Hosni Mubarak injected a note of personal aloofness into the relationship as soon as he came to power. But he stuck to the letter of the agreement even at the most difficult moments.

When Israel invaded Lebanon in 1982, he withdrew his ambassador. There was speculation that he would cut off relations, and many Egyptians urged him to do so. But he sent an ambassador back eventually.

The Mubarak government was deeply embarrassed again when violence spiraled in the West Bank

and Gaza in December 1987 as the Palestinians launched their uprising and the Israeli Army sought to repress it. During the first weeks the Egyptians feared violent popular demonstrations at home as well as severe Arab pressures.

But it turned out that by that time the peace, cold as it was, was no longer contested except by the most avid hardliners, and the government found that the pressure on it was not as severe as it had feared it would be.

Two months later, when Mr. Mubarak was asked during a visit to the Gulf whether he intended to withdraw his ambassador from Israel, he answered on television that this would be a stupid reaction because having an Arab ambassador in Israel was in the Arabs' interest.

Now, as Egypt has returned to the Arab League with the peace treaty intact and Yasser Arafat's political initiatives endorsed by the Arab leaders, it is possible, some foreign diplomats say, that the Israeli-Egyptian relationship may gain a new diplomatic dimension.

Certainly the Egyptians, who are being given credit by the State Department for having helped bring Mr. Arafat to Geneva and facilitating the start of a Palestinian-U.S. dialogue in Tunis, are eager to become mediators between Israel and the Palestine Liberation Organization. This was one reason why Mr. Mubarak sent his deputy foreign minister, Boutros Boutros

Ghali, to Jerusalem soon after the Casablanca summit.

A second, more subtle intention was hinted at by an official who said that the Egyptians wanted to signal to Prime Minister Yitzhak Shamir that they were ready to have a constructive dialogue with him at a time when he was under pressure from the more extreme hawks in his government.

In the event Mr. Shamir was reported to have told Mr. Boutros Ghali that he had no need for Egyptian mediation.

But Mr. Arafat is spending much of his time in Cairo these days. And as the conditions and objectives of elections in the West Bank and Gaza continue to be explored with suggestions from Americans, Soviets and others as well as Palestinians, Israelis and Egyptians — and since all these parties are present in Cairo — it would be surprising if diplomatic life were not a good deal more active than it looks on the surface.

Israelis charge that that Egyptian officials discourage applicants for visas and that Egyptian intellectuals and journalists with few exceptions continue to avoid contact with their visiting Israeli counterparts.

Egyptians say that Israel was unrealistic to think it could have flourishing economic and cultural relations while playing tough on the all-important political level and continuing to rule out Palestinian self-determination and, eventually, statehood.

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	31/12/88	31/12/87
Total Assets & Liabilities	656,939,538	557,095,888
Capital	40,000,000	40,000,000
Total Loans	221,926,632	222,211,032
Investments	24,898,648	17,814,011
Net Profits	13,641,853	12,046,133

(Dec 1987 US\$ = 1.87 LE/June 1988 US\$ = 2.35 LE)

THE NILE BANK COMPANIES

The Nile Bank Companies, with a total capital of 150.7m E.Pounds, in which the bank holds an average 20% share are:

- 1 Nile Co. for Agricultural Industries
- 2 Nile Co. for Printing and Packaging
- 3 Nile Co. for Reconstruction
- 4 Nile Co. for Agricultural and Food Industries
- 5 Nile Co. for Manufacturing Building Materials
- 6 Nile Co. for Metal Industries (SAMY)
- 7 Nile Co. for Fodders and Chickens
- 8 Nile Co. for Projects and Trade
- 9 Nile Co. for Tourism
- 10 Modern Arab Co. for Timber Industries (MATIN)
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RETURN ON CAPITAL	20.8%	7.6%



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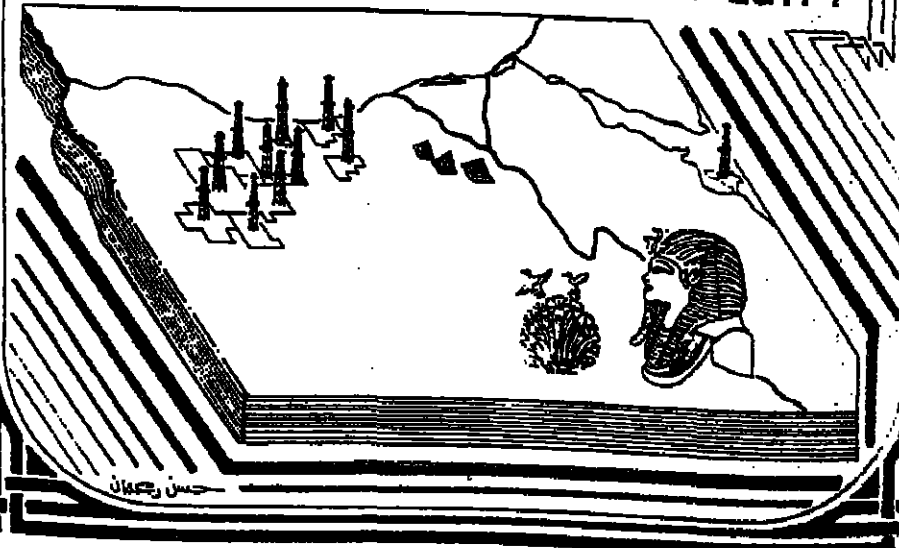
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Egypt: Back in the Fold / A Special Report

Back in a New Arab League

By Anthony Parsons

TO THOSE OF US who have spent the past 40 years or so involved with Middle East affairs, the notion of an Arab League without Egypt is rather like a return to the Arab fold has therefore refilled what amounted to a gaping hole at the heart of regional multilateralism.

However, the nature and internal configuration of the league was already changing before the break and has changed profoundly during the decade of Egyptian exclusion.

From the creation in 1944 — seven cats fighting in a sack as King Abdullah, I think it was, put it

COMMENTARY

shortly afterward — until the 1970s, the name "Arab League" was to all intents and purposes synonymous with "Egypt."

The headquarters were in Cairo. There was no nonsense about trying to select a "neutral" Arab capital, a Middle Eastern Geneva, to host the organization. Successive secretaries general were Egyptian. When I used to visit the league headquarters 30 years ago, I had to make a conscious effort to remind myself that I was not in another of President Nasser's ministries. Moreover, Egypt's military power and cultural influence relative to all other Arab states ensured that the league would not require more than a theoretical degree of autonomy.

Those days have gone, almost certainly never to return. Structurally there is no reason to suppose that the headquarters will move back from Tunis to Cairo, and, with the collapse of Lebanon, Tunis is probably the nearest one can get to an Arab Geneva. It is doubtful whether another Egyptian will assume the secretary-generalship in the near future. My guess would be that the Arabs will settle for a system of national rotation à la Organization of African Unity or Organization of American States, and that the league will, over the years, develop its own bureaucratic personality.

The heart of the matter, however, is the qualitative change that has taken place in the distribution of power and influence throughout the Arab world over the past decade or so. The time is past when one man — Nasser — and one state — Egypt — could dominate the region. If, to take a rough equation, power and influence equal military strength plus population size plus wealth, the possession of the first two ingredients by the larger state has been offset by the possession of the last by many of the smaller states.

This situation was not so clear-cut when Arab unity was the driving force — the thinly populated oil-rich states feared absorption by Nasserism or Ba'athism. But since the ebbing of this tide after the June War of 1967, the substitution of "solidarity" for "unity" on the Arab banner, and the consequent freedom of all member states to rule themselves as they see fit, Cairo or Damascus, wish, states like Saudi Arabia, Kuwait and the United Arab Emirates have used their enormous wealth to punch far above their weight in the councils of the league.

Furthermore, over the same period, a sense of nationhood has strengthened in those states which a cynical Egyptian observer once described as "tribes with flags."

The Iraqi nation, excepting the Kurds, has been tempered in the long war against Iran. The small Gulf states have thrown down surprisingly deep roots since the termination of British protection in 1971.

In the past 10 years, we have seen the formation of the Gulf Cooperation Council (Saudi Arabia, Kuwait, Bahrain, Qatar, the UAE and Oman), of the recent nexus between Iraq, Jordan, Egypt and the Yemen Arab Republic, of moves toward greater cohesion in the Maghreb states of Mauritania, Morocco, Algeria, Tunisia and Libya. This combination of growing national and sub-regional cohesion is bound to have, already has had, the effect of redressing imbalances of power within the Arab League between the smaller and larger members.

In the old days, all politically aware Arabs listened to Cairo Radio in preference to weak and poorly presented local stations, read the Egyptian press as opposed to the badly produced and ill-written local papers (I except Lebanon from this characterization) and, of course, were mainly dependent on Egypt for modern literature, the cinema and so on.

Equally, there were few universities in the Arab world — none in Jordan or the Arabian peninsula until quite recently; hence students from all over the Arab world flocked to Cairo.

All these factors gave Egypt an unchallengeable capacity to project its policies to willing listeners and readers throughout the region. Today, all Arab countries have their own television stations, flourishing radio networks and newspapers — many of them, for purely financial reasons, of higher quality than their Egyptian counterparts — as well as universities from Oman to the Atlantic coast. In these circumstances, it would today be considerably more difficult for any single Arab state, however powerful, or Arab leader, however charismatic, to control the hearts and minds of the people of the region.

So Egypt rejoins a league which is far more of a concert of equals, both in terms of individual states and sub-groups of states, than anyone could have anticipated, say, 20 years ago. The league will benefit operationally, in its elaborate committee system, from the skill and experience of Egypt's reservoir of trained and qualified personnel. On their side, the Egyptians will be wise enough not to make the mistake of trying to resume control over all league activities. By the same token, in the circumstances of the 1990s, I suspect that any Arab state with hegemonic aspirations will be firmly rebuffed.

In terms of cohesion, or Arab solidarity, the return of Egypt is unlikely to have much effect in the short term, as the recent Casablanca summit demonstrated.

The Arab League is not going to evolve into an Arab equivalent of the European Community. Inter-Arab interests are too diverse for that, for all the rhetoric about the brotherhood of all Arabs. The league will continue to function, with greater efficiency now that Egypt is back in the fold, as a convenient forum for the discussion of pan-Arab questions such as Palestine, the confrontation of external threats, the rebuilding of Lebanon, and so on.

SIR ANTHONY PARSONS, a research fellow at the University of Exeter, is a former British ambassador to Iran, permanent representative to the United Nations and special adviser on foreign affairs to Prime Minister Margaret Thatcher.

Fragile Economy Continues on Its Slide

Huge Population Growth and Past Policies Are to Blame for Increasing Complications

By Barbara Slavin

CAIRO — If in the world of diplomacy Egypt has seemed lately to vault from triumph to triumph, back home it keeps sinking into a slough of despond.

"I don't think the Arab League is important — all this running around with kings and sheikhs," complained a Cairo clothes-ironer named Sayed. "What about the price situation, the housing crisis? This country is kaput."

"Kaput" is perhaps an exaggeration, given the extraordinary resilience and resourcefulness of many individual Egyptians. But there is no denying that the economy is in a fragile state, sapped by inflation, slow growth and unemployment, with more bad times to come before there is real improvement.

Egypt's economic problems are the product of a galloping population of 54 million

Egypt's ability to muddle through its economic crises is legendary.

and 30-year-old socialist policies that have stifled individual initiative and subsidized basic needs at well below their real costs. For a time in the late 1970s and early 1980s, external factors masked the growing imbalances. Peace with Israel brought revenues from oil, a reopened Suez Canal and tourism, plus massive Western aid — while Egyptian workers remained welcome in the richer Arab states and sent home remittances.

Since the mid-1980s, however, government foreign exchange earnings stopped keeping pace with the cost of imported food and debt service on loans contracted in the boom years.

Two years ago, after lengthy negotiations, Egypt reached an agreement with the International Monetary Fund that allowed it to reschedule \$6.5 billion of its then \$40 billion foreign debt. But Egypt stopped fulfilling its pledges to the fund soon after, even though the word was one of the most lenient in IMF history.

Behind in payments again and unable to obtain sufficient new credit even for crucial imports of wheat, the government of President Hosni Mubarak has had to turn back to the IMF, needing its seal of approval on a reform package so that it can reschedule another fraction of a foreign debt now swollen to \$50 billion.

While the details of the current negotiations have not been disclosed, the outlines of what the IMF wants have been clear for years.

First and foremost, Egypt must cut its budget deficit, estimated at \$4 billion to \$5 billion for the fiscal year ending June 30. Deficit spending has fueled inflation of more than 30 percent a year.

Despite its image as what an Al-Ahram columnist called the "International Money Fund," the IMF has not dictated how the cuts are to be made.

Mindful of the bloody riots that followed sharp price increases in Jordan, Algeria and Venezuela as well as its own traumatic experience in 1977, Egypt will try to avoid major hikes in heavily subsidized staple consumer goods sold in government shops to the poor and lower middle class.

But some price increases are inevitable. Already this spring, the government raised energy prices by between 30 and 40 percent for heavy residential users and most state enterprises. Cigarette prices have also jumped.

The price of bread has effectively been more than doubled, by slowly phasing out a cheaper variety, but the new five piaster (2-cent) loaf still sells for less than it costs to produce it.

The Egyptian pound has been allowed to depreciate, although the government retains a vastly overvalued rate of 70 piasters to the dollar for key exports and imports.

Officials have long toyed with raising revenue by imposing a value-added tax that would be higher for luxuries and a "professional tax" that would help compensate for the government's historic inability to collect equitable income taxes from the wealthy. New taxes on inheritance are also planned.

Whether such measures would satisfy the IMF remains to be seen.

"It's going to be tough," a senior Western diplomat said. "The budget deficit is the biggest problem."

Still, Egypt's ability to muddle through its economic crises is legendary, and it has managed to stave off the day of reckoning at least until the autumn.

The United States and Europeans recently came up with new credits to ease a serious shortfall in wheat and flour. But supplies may still run out in October or November, and Egypt recently resorted to the open market for 200,000 tons of wheat, the first time it has had to offer cash for this commodity in years.

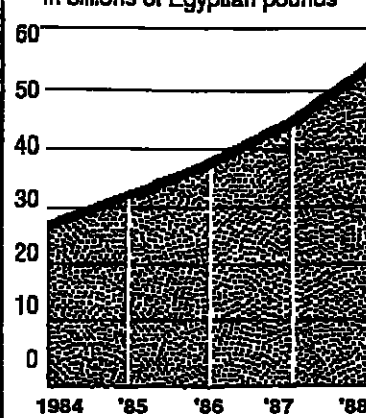
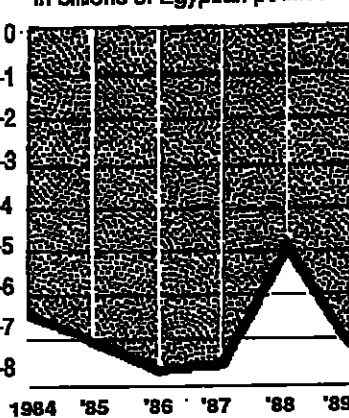
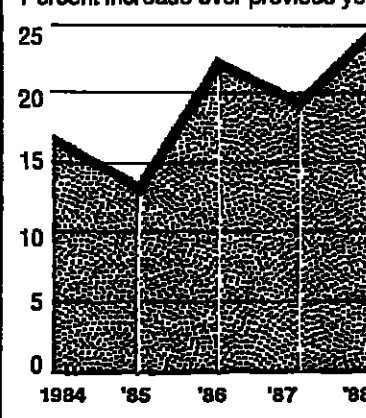
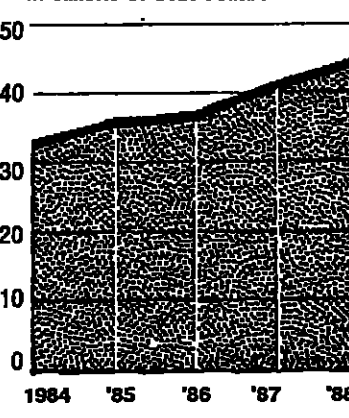
In November, the Egyptians will also have to come up with new cash to service their high-interest \$4.6 billion military debt to the United States.

Originally, they were to start making payments in July or risk a cutoff of all U.S. aid under the so-called Brooke amendment, which allows payments to be no more than 360 days late. However, the Americans have agreed to count toward the new payments money the Egyptians paid two years ago on a portion of the debt that was subsequently rescheduled.

Washington, which was instrumental in pushing through Egypt's lenient IMF agree-

The Egyptian Economy

All figures are for fiscal year running from June to July.

GDP
In billions of Egyptian poundsBudget Deficit
In billions of Egyptian poundsInflation
Percent increase over previous yearTotal External Debt
In billions of U.S. dollars

Sources: IMF, World Bank, Egyptian Economic Trends, American Embassy, Cairo

International World Tribune

ment in 1987, has become a little tougher. While it has continued to supply \$2.2 billion a year in aid tied to exports and development projects, it is still withholding two years of cash totaling \$230 million pending Cairo's implementation of "significant" economic reforms.

The reforms Washington is looking for are essentially the same as those required by the IMF — cutting the budget deficit, unifying exchange rates and dismantling the web of bureaucratic regulations that discourage local investment and have encouraged Egyptians to send a whopping \$40 billion abroad.

A failure to act boldly on the economy has been characteristic of Mr. Mubarak, who has spoken in support of private enterprise but maintained the privileges of the dominant, inefficient public sector.

"The caution is due to our political set-up," explained the Egyptian banker. "There is no real political base for anyone, so the

politicians try to rule by consensus. It's very difficult to take decisions that ultimately will hurt some interests. The end result is maintaining the status quo."

Egyptians have been able to keep their head above water by working at several jobs and spending some portion of their working lives abroad. A primary school assistant principal, Farouk Mohammed, said, for example, that a teacher in a Gulf state can make \$700 a month — more than 10 times his salary in Egypt.

But with the Gulf states retrenching and the Iran-Iraq war over, the market for Egyptian expatriate labor has probably leveled off. Meanwhile, domestic unemployment is over 20 percent and the job market cannot digest the 450,000 young people trying to enter it each year.

BARBARA SLAVIN is a journalist based in Cairo.



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Savings in distance

The SUMED pipeline is a short-cut to European markets for crude oil from the Arabian Gulf.

Via:	To: Rotterdam Netherlands	Fos France (Nautical miles)	Augusta Italy
African Cape	11,170	10,780	11,140
SUMED pipeline	6,430	4,690	4,090
Saving	4,740	6,090	7,050

Savings in time

The SUMED pipeline makes crude oil available at Sidi Kerir within 13 days of loading in the Arabian Gulf. Considerable time savings are therefore possible in supplying Arabian Gulf crude oil to European markets.

Via:	To: Rotterdam Netherlands	Fos France (days)	Augusta Italy
African Cape	33	22	33
SUMED pipeline*	23	18	16
Saving	10	14	17

* Assumes 5 days for the SUMED transfer

Cargo flexibility

A single large tanker can load two different types of crude oil in the Arabian Gulf and discharge them into the pipeline system. Two smaller vessels can then lift the different crude oil types and make deliveries which meet the needs of individual European refineries, thus avoiding two-port discharging or lightering.

Similarly, two large tankers can each load one type of crude oil to full capacity at different Arabian Gulf ports, thus avoiding two-port loading. Both crude oils can be simultaneously offloaded into the SUMED pipeline and lifted at the Mediterranean end by a variety of smaller vessels, each destined for a single European port.

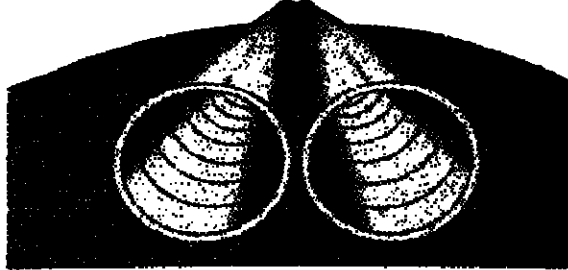
Security against disruption of services

The whole SUMED pipeline system is within the boundaries and under the jurisdiction of one country. Disruptions of pipeline services such as those that have occurred on other systems, are therefore not a threat.

Furthermore, the line and the ports are owned and operated by a company which enjoys a considerable degree of autonomy within the Arab Republic of Egypt. For example, SUMED has a fully independent administrative system and users of the line incur no port charges.

SUMED Pipeline Owners

	Number of Shares	%	Initial Value (US \$ millions)
Abu Dhabi National Oil Co. (ADNOC)	6,000	15.00	60.0
General Petroleum & Mineral Organization of Saudi Arabia (PETROMIN)	6,000	15.00	60.0
Kuwait Foreign Trading Company (KFTC)	5,400	14.22	54.9
Kuwait Investment Co. (KIAK)	300	0.75	3.0
Kuwait Metal Pipe Industries Co.	10	0.02	0.1
Qatar National Petroleum Corp.	2,000	5.00	20.0
Egyptian General Petroleum Corp. (EGPC)	20,000	50.00	200.0
TOTAL	40,000	100.00	400.0



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Egypt: Back in the Fold / A Special Report



Ali Abdullah Saleh of North Yemen, Saddam Hussein of Iraq, King Hussein of Jordan and Hosni Mubarak waved to crowds before June's meeting of the Arab Cooperation Council in Alexandria.

A Victory for Mubarak's Style

Continued from page 13

"Arab recognition of Israel has become a psychological fact, even if it is not formal yet," an Egyptian official said. It will take time and many rounds of negotiation to build on this psychological gain, he added. And Egypt, which is the only regional power that can talk to both the Arabs and the Israelis, is determined to play the role of a leader and mediator in this process.

Nobody in Cairo, therefore, was surprised when Mr. Mubarak decided to send Boutros Boutros Ghali, the minister of state for foreign affairs, to Jerusalem for talks with Prime Minister Yitzhak Shamir almost before the ink on the Arab communiqué of Casablanca had dried.

The president, his aides say, was anxious to demonstrate quickly that Egypt is not simply bleeding back into the Arab world but is impatient to exercise its newly won role. He wanted to relieve Israeli misgivings, to impress the

Arabs and, perhaps first of all, assure the Palestinians that whatever it does, Egypt's ultimate goal is Palestinian statehood.

The recent improvement of Egypt's relations with the Soviet Union is another foreign policy success of Mr. Mubarak. It too is part of his strategy of lowering tensions.

And it has done wonders to Egypt's role as an honest broker in the region — as became evident earlier this year when Cairo provided the stage on which Foreign Minister Eduard A. Shevardnadze was able to hold back-to-back meetings with his Israeli counterpart, Moshe Arens, and Mr. Arafat — all under the proud auspices of Mr. Mubarak. It was a heady experience for the Egyptians and would have been unthinkable a few months earlier.

Soviet assistance has been resumed on a cautious scale.

It is a measure of the new climate in the region that Americans and other Westerners regard the Soviets' reappearance on the Nile as a positive development rather than an intrusion.

In Cairo, the toning down of the American-Soviet rivalry in the region is seen as the single most hopeful sign that a Middle East settlement may yet be possible — and as a development that offers new opportunities to Egyptian diplomacy.

But far from rejoicing, Egyptians appear to be taking their return to the Arab fold in their stride, as an overdue correction of an unnatural situation.

A cartoon in Rose Al Youssef, an opposition newspaper, showed

'Arab recognition of Israel has become a psychological fact, even if it is not formal yet.'

An Egyptian family watching the Casablanca summit on television. "Let's not complain about the shortage of oil, sugar, meat and bread; let's rejoice at the summit," the father tells his wife and children.

"He is our pilot and he is walking — but people expect a pilot to fly," Mr. Amin said of Mr. Mubarak's domestic policies.

A European diplomat described the president's dilemma in the face of an overblown, lethargic state bureaucracy and demands for a dose of private initiative. He knows that the whole building of the national economy should be torn down and rebuilt but he cannot face the risk. So he is patching it up as best he can while building a few new bungalows.

The little "bungalows" of private efficiency include hotels, new cruise ships on the Nile, some sectors of agriculture and land reclamation and a gradually growing number of small industries in the new cities that have been built in the desert outside Cairo.

Other islands of efficiency are the oil industry and the Suez Canal. And large investments continue to be poured into infrastructure.

But, says an entrepreneur, "You still cannot do anything without having alliances in the bureaucracy."

Some problems defy solution.



Inhabitants of the 'City of the Dead,' an area taken over by the homeless of Cairo.

He has "nightmares," Mr. Mubarak said in a recent speech, at the thought that the population, now an estimated 54 million, is growing at the mind-boggling rate of 1 million every seven months.

Birth control is on the government's agenda, and a number of new family planning centers have been opened. But even if the efforts were effective, they would have no significant impact for many years.

On most of the most urgent social and economic issues the gov-

ernment has little or no space for maneuver.

Late this spring the country's wheat supplies threatened to run out on short notice because the government was unable to get foreign credit. It had to go into the open market and buy wheat with cash at inflated prices.

So low are reserves in the silos at times that witnesses report the unsettling sight of fleets of trucks roaring out of the ports of Damietta and Alexandria as soon as a wheat ship starts unloading, making straight for the mills and bakeries around the country.

Egypt's public debt is some \$43 billion.

In his May Day speech, Mr. Mubarak adjured his countrymen to have fewer children and eat less. He also told them that his government paid more than \$6 billion for food subsidies during the last 11 months alone, and that these subsidies had to be further cut. Cutting subsidies means increasing prices.

The International Monetary Fund and the government argue that it is the cost of servicing the foreign debt that is making life so expensive. But the message is not heard around the country. "I haven't made any debts," they have said one Cairo — "they" being the government and the "fat cats" that run things.

The threat of a violent social

outburst has often been cited by officials as the reason why economic reform cannot proceed any faster. But it is far more than an excuse.

Social tensions and the growing difficulty of everyday life have become so deep for so many people that Egyptians and foreigners fear that one day, one place, there will be a sudden explosion, a kind of spontaneous combustion. It may start as a fight in a butcher shop, spill into the street and the neighborhood and eventually send hundreds of thousands of people storming downtown to break windows and sack the stores. This is what happened during the bread riots of 1977.

"If it happens, the police will quell it after a few days," a diplomat said, "but think of the damage; another rash of capital flight, foreign investors scared off and tourism slump lasting months, hundreds of millions of hard currency lost."

More immediately, there is expected to be a massive influx of currency-bearing Libyans who have been starved of consumer goods in their own country for years. Mobs and shops are ready to go up along the long road from El Alamein to Alexandria and Cairo. And the two countries will resume negotiations on hundreds of million dollars claimed in back wages by Egyptian workers expelled from Libya 10 years ago.

Tourists from the Gulf have been coming back for several years but more are now expected.

HENRY TANNER is on the staff of the International Herald Tribune.

Regional Group Aims for Common Market

CAIRO — As Egypt returned to full membership of the Arab League, it also committed itself to a new economic grouping, one of several in the Middle East that are destined to promote regional, rather than pan-Arab, unity.

In Baghdad in February, Egypt, Iraq, Jordan and North Yemen, countries that have a combined population of around 80 million, created the Arab Cooperation Council, the first step toward a common market and economic integration.

At the same time, the North African states of Algeria, Libya, Mauritania, Morocco and Tunisia formed the Maghreb Union with similar goals.

The first such Arab organization was set up in 1981 by six rich Arab Gulf countries that joined together in the Gulf Cooperation

Council, drawing heavily on the statutes and precedent of the European Community.

Conceived to coordinate policies as the Iran-Iraq war threatened stability in the Gulf, the GCC groups Bahrain, Kuwait, Oman, Qatar, the United Arab Emirates and Saudi Arabia. Its brief goes beyond economic issues and has included security and defense cooperation.

The Arab Cooperation Council links countries with a combined gross national product of \$100 billion, exports of \$15 billion and imports of \$30 billion, according to Arab economists. Its leaders have made it plain that integration will be a lengthy affair.

"Brick by brick" was how President Ali Abdullah Saleh of North Yemen described the ACC's work and his words have been echoed by President Hosni Mubarak.

"The wheel started turning, and

some might think it is moving slowly, but we want it that way," Mr. Mubarak said. He added: "We fear that if it turned faster there would be a setback, then our peoples would lose confidence, and our rivals would rejoice."

The four ACC leaders stressed realism and pragmatism as they sought to distinguish between the council's aims and the frequent and ill-fated attempts to forge unity between Arab states in the 1950s and 1960s.

The ACC charter stated that its aim was to integrate the four countries' economies as a step toward the formation of a unified Arab market.

This was an original aim of the Arab League, but it remains an unfulfilled dream 40 years after the league was founded. President Saddam Hussein of Iraq underlined the different nature of the new bodies. "The creation of

councils within the league should not raise fears," the Iraqi leader said, "competition among them would be in the best interest."

The foundations of the ACC lie in the aid that Mr. Mubarak and King Hussein of Jordan gave to Iraq during its eight-year war with Iran.

Egyptian arms exports to Baghdad reached a total value of \$800 million before the war came to a halt last year and Jordan's Red Sea port of Aqaba became a major trading center for Iraq, which was effectively landlocked during the war as battles raged around the Shatt al-Arab outlet to the Gulf.

Egypt and Jordan's backing for Iraq became the mainstay of their regional policy orientation and this was strengthened by a series of countertrade agreements between the three countries.

Iraq's post-war reconstruction boom, and North Yemen's recent

oil-fueled economic growth represent the most promising medium- and long-term prospects for ACC economies that are facing their hardest times in a decade.

These economies are hamstrung by foreign debts of \$70 billion for Iraq, \$50 billion for Egypt, \$8 billion for Jordan, and \$18 billion for North Yemen.

Mounting arrears on debt servicing, and widening current account deficits reflect a limited scope for government-sponsored investments on a regional scale, and make it unlikely that Western creditors and donors would move in to fill the gap.

For businessmen, who have been seeking answers from officials supervising the implementation of countertrade agreements, many questions remain unanswered.

In addition to the absence of clear guidelines on the role of the private sector in these public-sector dominated economies, businessmen from the four member states are seeking practical steps such as export credit guarantees to allow them to benefit from opportunities such as those presented by reconstruction in Iraq.

"I am afraid that traditional thinking still prevails, and that so far things are not clear or encouraging for the private sector," said Said el-Tawil, the president of the Egyptian Businessmen's Association.

At a meeting in Alexandria in mid-June, the four ACC heads of state announced that they would coordinate their foreign policies and reiterated their identical stands on conflicts in the Arab world.

They formalized, as part of the ACC's economic integration, regulations already in force on the freedom of movement of citizens of their countries and signed accords on resolving disputes between the member states that remain classified.

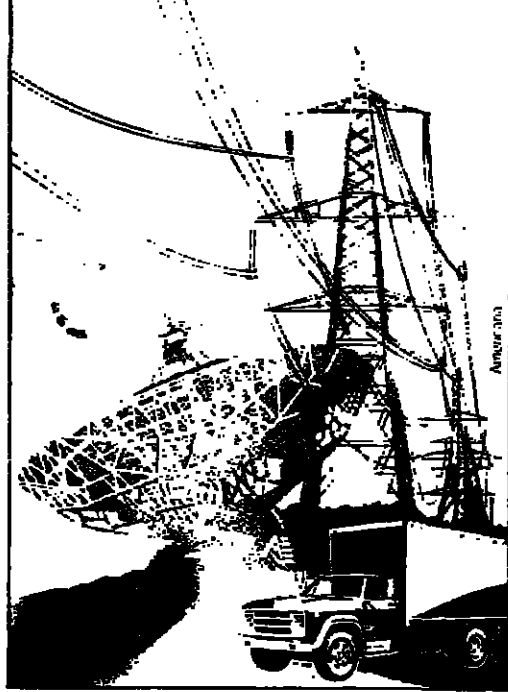
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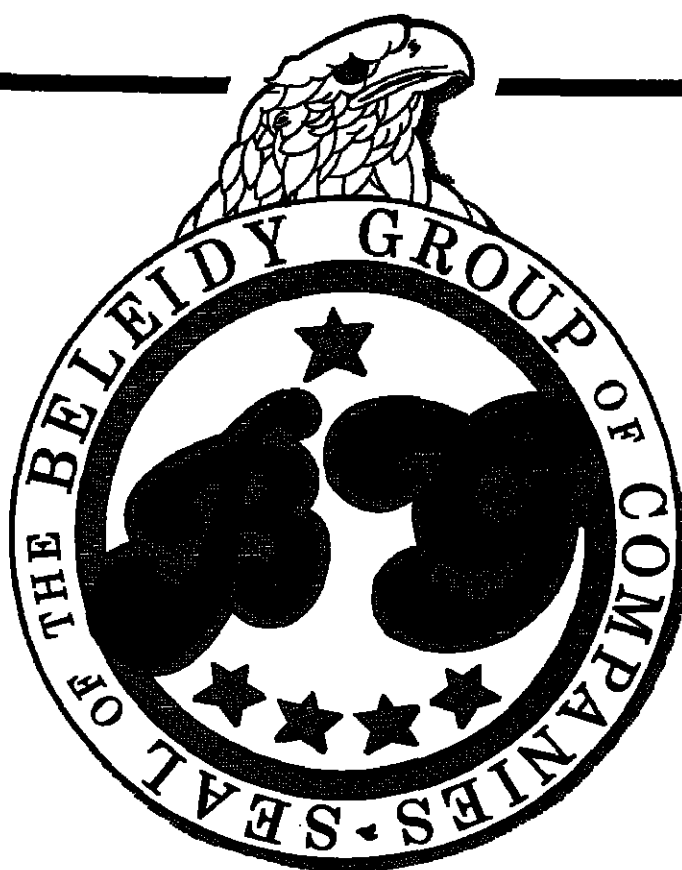
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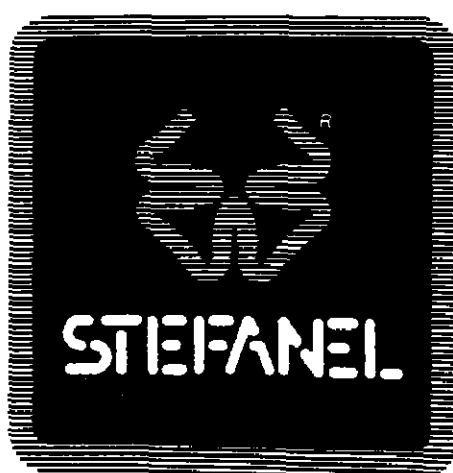
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Lotus - Cairo

Writers Without a Nobel

By Jane Friedman

CAIRO — In one of his recent short stories, the Egyptian novelist Youssef el Kaid, 45, uses the form of a fable to make his point.

A rich man reaches the banks of a wide river and, seeking to cross it, finds a large strong man whom he asks to carry him. The giant obliges and the rich man climbs on his back for the crossing. Once on the other side of the river, the strong man, expiring from fatigue, asks to be paid.

The rich man, furious, kicks the poor man and proceeds "angrily upon his way."

"What's come over the world?" Mr. El Kaid has the rich man ask. "Why do the poor people think about getting rich? Isn't there a law against that?"

Like many writers making a name today in contemporary Egyptian literature, Youssef el Kaid is angry, mostly about social injustice. But there are other reasons for his anger.

Although he and his fellow Egyptian writers are still the most widely read and influential in the

Arab world, Mr. El Kaid is rarely read outside the region.

Neither last year's Nobel prize — to the 78-year-old Egyptian novelist Naguib Mahfouz — nor the flap over Salman Rushdie's "Satanic Verses" gives him solace.

"I'm afraid a lot of people will try to write folklorically [like Mr. Mahfouz] about our backward situation to interest the West," said Mr. El Kaid. Of Salman Rushdie, he said, "The West is rewarding him for trying to destroy Islam. The West encourages those who attack Islam."

Mr. El Kaid is typical of many Egyptian writers and intellectuals who have come to prominence in the 1970s and 1980s, several generations after Naguib Mahfouz, considered the founding father of the Arabic novel, made his mark.

Although there are exceptions, the most recognized of Egypt's younger writers are fiercely secular and nationalist, either Marxist or socialist, anti-Western and frequently anti-American.

Unlike Mr. Mahfouz, whose work was rewarded because it was "rich in nuance — now clearheadedly realistic, now evocatively ambiguous," Egypt's more contemporary writers do not use the

Balzacian style that Mr. Mahfouz borrowed to describe Cairo in muted colors. They are tough. Although most have so far shied away from dealing with the growing militancy of Islam, their books assault social injustice, the wide gap between rich and poor, corruption, Western influence and political oppression.

"Whereas Mahfouz's style was *vérité*, about the Egyptian alleys and popular quarters of Cairo, our generation is more an angry one and much more vocal than Mahfouz," said Mohammed Salmawy, a playwright and, for some time, an official in Egypt's Culture Ministry. "We are angry not at what was but at what is."

"We lived the era of great dreams before 1967," said Gamal Ghitani, Egypt's most successful contemporary writer, speaking of the 1952 revolution against the monarchy and the rise of Nasserism.

In the 1967 Six-Day War with Israel, "suddenly we suffered the problem of democracy and then the moments of defeat," he added. "Then Sadat came and transformed the society. We are not only angry. We have suffered great disappointments."

Mr. Ghitani edits the literary page of the weekly government-run Akbar el Yom in Cairo.

But things could be worse. Many of these writers served time in Nasser's prisons in the 1950s because they were agitating for more socialism than Nasser was willing to bring.

With censorship largely a thing of the past, contemporary writers are openly treating the themes closest to their hearts: political repression and the deformation of society under the late president Anwar Sadat.

"Zeiny Barakat," first published in 1986, deals with Mamluk times of the 14th century and political repression in that era. The book is written in the archaic Egyptian language of the period.

But more recently, Mr. Ghitani has become clearer in his criticism. His latest book, published three months ago, takes on the Sadat period and what intellectuals regard as the shocks to traditional society as Mr. Sadat tried to bring Western capitalism to Egypt. Under Mr. Sadat's *infitah*, or open-door policy, many intellectuals charge, importers and exporters got rich, production lost out and



Naguib Mahfouz, the winner of the 1988 Nobel Literature Prize.

A look at today's writers gives a good feeling for where many Egyptian intellectuals stand. A large number of prominent writers maintain jobs at the nation's major newspapers. This has been an intellectual tradition, but it is enforced by necessity.

"No Arabic writer can live from his books," said Mr. Ghitani, who scored the greatest success among Egyptian writers when one of his novels, "Zeiny Barakat," was published in Penguin in Britain.

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Egyptian peasants in droves had to seek work in the Gulf.

Mr. Ghitani's latest novel deals with Egyptian farmers in the Gulf cut off from their families in Egypt.

Mr. El Kaid, who holds down a job at the government-run news-weekly Al-Musawra, is writing a novel on the same theme.

But Mr. El Kaid has included among his characters the imam of a village mosque and is one of the few authors who has begun to treat the growing influence of Islam on the lives of Egyptians.

But although ardently secular, Egyptian authors rule out an assault on Islam like that of Mr. Rushdie. "You can say anything, but when you are a writer you must consider the feelings of the people," said Mr. Ghitani. "Even if I am Marxist, I am originally a Muslim and I am living in a Moslem society."

Mr. El Kaid added, however, that even if he wanted to deal with certain aspects of Islam — for example the concept of an Islamic state and the conquest of nations in the early years of Islam — it would be difficult to do this.

"There are restrictions in dealing with the Prophet in literature," said Mr. El Kaid, "and the Prophet does not make mistakes. There are an incredible number of taboos preventing authors from approaching religious figures. In the West a separation of church and state developed. But here it hasn't developed that way."

JANE FRIEDMAN is the Cairo-based correspondent for the Christian Science Monitor.

Return to Old Values Brings Religious Revival

By Henry Tanner

CAIRO — When Gamal Mubammad, who runs the Cairo office of an American newspaper, was asked what his new son-in-law was like, he thought for a moment and then said: "He is very religious." The groom's father, also was "religious" and so was his principal uncle, Mr. Mubammad added in the tranquil voice of a man who has tested his new family and found them to be people who will not betray him.

His answer, other Cairenes said, went to the heart of the continuing religious revival among Egyptian Muslims and Coptic Christians.

The organized Islamic movement in Egypt has three main strands: The underground groups of extremists, including dissident clerics, who advocate and practice violence; the Muslim Brotherhood, now called *Ikhwan*, which operates as a political party and has members in the National Assembly; and the Islamic establishment of Al Azhar, the centuries-old Islamic university, whose sheikhs generally support the secular government.

But beyond the organized institutions, sociologists and others say, there are millions of Egyptians who have decided simply to move closer to the mosque and to give more space in their lives to the religious values that they feel are threatened by corruption and immorality. Calling someone a "God-fearing person" is a simple moral judgment: he is decent, does not steal, takes no drugs, does not drink and is faithful.

"Religion is the only place where these values have currency, real or pretended," said a secular Egyptian,

and revenge that is adding to the power of the most violent Islamic groups. He also caused raised eyebrows at a news conference when he refused to make a difference between Islamic moderates like the Muslim Brothers, who play the political game, and the violent underground — an apparent departure from government policy.

Whether Mr. Badr has contributed to the trend or not, Egyptian specialists are unanimous in saying that the extremist Islamic groupings have been gaining popular strength and that the moderates have been losing ground.

Ikhwan's members of the People's Assembly, after the first flurry of interest in their every word, have been ineffective in their attempts to get the government to give more importance to *sharia* — Islamic law — which the extremists want to impose by force and the Muslim Brothers had pledged to bring about by political means.

Today Ikhwan politicians have lost the special aura that surrounded them and are regarded by many as "fat cats like all the others, but with a different vocabulary," one Cairene said.

The most telling setback for the Islamic moderates has been the ignominious collapse of the so-called Islamic investment companies that until a year ago were doing high, paying 30 percent "profits" to their investors and branching out into all kinds of economic activities including real estate and retailing.

As it turned out, most of them cheated their clients and many of their founders had no special commitment to Islam. With a few exceptions they paid the "profits" out of the customers' own deposits, and not from business they had generated.

The impact when they went bankrupt was devastating. An estimated 40,000 families are believed to have lost their life's savings.

Many of the losers were lower middle-class Egyptians, artisans and skilled workers, who had invested their only capital, the earnings of many years of work in the Gulf and Iraq. But some of the ruined had been rich. The patriarch of a prominent political family has confessed to friends that he sold three buildings in choice locations in Cairo because they were earning him only three percent instead of the 30 percent from the investment houses.

The disaster is political and religious as well as social and economic, specialists say.

Many tens of thousands of Egyptians had lived off their savings without knowing it, buying and spending, contributing to the income of others and creating a false sense of prosperity.

The 30-percent "profits," even though drawn from personal savings, were a cushion against the 30 or 35 percent annual inflation. With the cushion gone, the impact of rising prices is no longer absorbed.

Moderate Islamic organizations like Ikhwan, which had done nothing to warn the public against the investment houses, are being blamed and share the loss of respectability.

The religious social services — such as clinics and schools — that had sprung up around almost every mosque had drawn heavy financial support from devout families, including clients of the investment houses. The services continue, but funding is reported to have become more difficult.

Overall, the entire moderate Islamic idea has suffered according to Nemat Guenena, a political scientist who has made the Islamic movement her field of study. This was the sort of Islam that Egyptians could most easily identify with: It solved problems and made no demands; it combined respectability and prosperity with religion, she said.

Miss Guenena faults the government for ignoring the threat posed by the investment companies for eight years and then cracking down belatedly and indiscriminately against all of them — including some that were bona fide businesses. Above all, she points out, the government is unable to provide its own social services in compensation for those around the mosques that are now in decline.

But Egyptian specialists agree that the religious revival is far from over. Islamic fervor is a permanent feature of Egyptian society now, they say. "The Muslim Brothers," said one of them, "have grasped that in order to exert power they needed permanent institutions, and they have been building them now for several years around the mosques and in politics."

Feeling threatened by corruption, millions of Egyptians have moved closer to the mosque.

adding that in Egypt "so-called fundamentalism is a resort to moral values."

Under President Hosni Mubarak, the government has strengthened the moderate Islamic organizations and given them a new respectability in the hope of diminishing the appeal of the extremists.

Ikhwan was allowed to gain 36 seats in the People's Assembly two years ago, even though under the constitution it is still banned from political activity. Being a newcomer to the scene, it quickly became the most talked about opposition party. In addition to keeping the Islamic extremists on the defensive, it served to eclipse the secular leftist opposition, as Mr. Mubarak undoubtedly had hoped.

But in recent months there have been setbacks for the government's strategy of using the Islamic moderates as a shield against the extremist underground. Beginning last fall, the number of violent incidents increased in Cairo and in the cities of Upper Egypt. After a number of garrotings of policemen, some of the most populous neighborhoods of the capital became practically off limits for the police.

Interior Minister Zaki Badr, a former general, decided to crack down hard last December after another slaying of a police officer. Since then an estimated 2,000 persons have been arrested as suspected members of extreme Islamic groups.

The crackdown acquired a special, potentially explosive dimension a few months later with the arrest of a blind cleric, Sheikh Omar Abdel-Rahman, who has a large popular following and is regarded as the spiritual guide by some of the most radical of the religious fanatics. He stood trial in connection with the murder of President Anwar el-Sadat on suspicion of having provided the religious motive for the crime but was eventually acquitted.

Although he takes personal credit for his methods, Mr. Badr is thought to have the backing of the president, whom he enables to stay aloof. The army, which used to be the only pillar of presidential power in Egypt, is no longer alone; the police has become the second pillar, a diplomat said.

The interior minister is a controversial figure. To some, his methods are the only possible choice. To others, he has touched off a vicious circle of violence

Taba Turns Into Joint Venture

Continued from page 13

minutes away. And it is to this market that the hotel must appeal.

From this point of view, the Israeli managers are probably right when they claim that they uniquely are able to maintain the Jewish-Israeli atmosphere of the hotel; for they, after all, created it in the first place.

Egyptians, while elated at the return of the land, are well aware that Taba is more than 400 kilometers (250 miles) away from Cairo over rather inhospitable desert and that the nearest airport at Ras el-Naqh will not be refurbished for tourist traffic for some time. Moreover, since the hotel imports virtually everything from abroad, running water and electricity from

Israel, it is also very expensive, even by international standards.

Egyptian staff at the hotel, however, scorn suggestions that Israeli executives are necessary to maintain the required international management standards. They have a point: Egyptians are well able to run five-star hotels, and, in fact, do run them.

Three months after the change of ownership, the hotel remains an essentially Israeli enclave. The Israeli ambience is quite palpable, even if some of the more obvious signs of the previous ownership, such as the Jewish menorah atop the hotel and the Israel Discount Bank office in the lobby, have been removed.

Other, no less tangible signs remain. The Israeli shekel is still used, but so are dollars and Egyptian pounds. The menus are written in English and Hebrew — "French fries and omelettes not served on Shabbat" — and priced in U.S. dollars. Public signs around the hotel are in Hebrew and English. There is a synagogue although not, apparently, a mosque.

Whether the hotel can serve as a catalyst for further joint-ventures between the two former enemies must be seriously doubted. The arrangements at Taba were born in unique circumstances and are not wholly to the liking of either side. Moreover, outside of Sinai, there is no evidence that Egypt is keen to promote commercial and tourist contact with Israel.

An improvement in political relations is an obvious condition for more contacts in other fields. Current circumstances are not auspicious. Egypt will not go out of its way to move closer to Israel as long as Israel refuses to recognize that the Palestinian uprising in the occupied territories requires urgent political attention.

In particular, Cairo will not accept Israeli Prime Minister Yitzhak Shamir's proposals for elections in the occupied territories in their current form, seeing them as a device for emasculating the *intifada*, while offering no compensatory political gains.

Moreover, with Egypt having

recently rejoined the Arab League, Cairo may want to give priority to demonstrating its pan-Arab sincerity by turning a tough face toward Israel, especially over such obvious Arab issues as the intifada.

At the same time, relations with Israel must be kept friendly enough for President Hosni Mubarak of Egypt to make plausible the claim that his direct access to the Israeli government has advantages for all Arabs.

This may have been uppermost in June when Mr. Mubarak sent Boutros Boutros Ghali, the minister of state for foreign affairs, to Israel — rather than a full minister — to tell Mr. Shamir that his election proposals, while interesting, were, in their current form, a nonstarter.

Even with enhanced political ties, commercial prospects may not materially improve. Egypt believes that it is on the edge of a boom in tourism, much of which will be directed at the Sinai. There are plans for a number of new resorts along the south Sinai coast and, if joint-ventures are necessary to realize them, then Egypt is sure that partners are ready and waiting in the United States and Europe and that the political overtones of investments with Israel can be avoided.

To their credit, just about everybody working at the Taba Sonesta regards himself as a self-appointed ambassador — pioneer, perhaps more accurately — in breaking new ground to build bilateral peace.

"We want to show the Egyptians that Israelis don't have horns and tails and that we are committed to working with them and living with them as neighbors," said Felix De Paz, the hotel's Egyptian-born and now Israeli concierge.

But transposing the words "Egyptian" and "Israeli" in that remark, and you hear exactly what the new Egyptian staff are saying of their managers and clients.

JEFFERY PHILLIPS writes for Newsweek and the BBC from Cairo.

Antiquities: Profits Versus Conservation

By Barbara Slavin

CAIRO — The antiquities of Egypt mean many things to many people: an awesome array of attractions for tourists, the focus of careers for a small international bank of scholars, a unique natural resource for Egypt's cash-starved government.

How to satisfy their conflicting interests is a challenge that sometimes seems as daunting as preserving the millennia-old treasures for future generations.

Primary responsibility for safeguarding Egypt's estimated 10,000 ancient sites rests with the Egyptian Antiquities Organization (EAO). Its powers are considerable, but its budget for restoration is only \$6 million a year.

It can be overruled by the Ministry of Culture, of which it is a department, and by more influential ministries such as tourism.

Earlier this year, Chinese contract laborers building a tourist village bulldozed through the remains of a Greco-Roman town on the Mediterranean near the World War II battle site of El Alamein.

Two years ago, an Egyptian expatriate businessman with political pull got permission to stage the Verdi opera, "Aida," at one of the country's most endangered monuments, Luxor Temple, in upper Egypt.

While precautions were taken to safeguard the complex of pylons, pillars and statues built by a half dozen pharaohs and Greek and Roman conquerors, the nightly presence for several weeks of thousands of spectators and hundreds of performers — not to mention horses — certainly did the 3,300-year-old temple no good.

At the same time, local authorities began constructing a stone embankment along the Nile to make it easier for cruise boats to dock. But the new concrete seals in underground water — the chief cause of the accelerated deterioration of Luxor Temple and many other antiquities, from pharaohic to Islamic, that tourists come to Egypt to see.

The water-borne cancer has also spread due to the Aswan High Dam. A boon to Egypt's agriculture, the 20-year-old dam stopped the annual flooding of the Nile, which used to wash natural and fertilizer salts from the soil. Year-round cultivation and irrigation have kept groundwater perpetually high.

Overpopulation close to monuments without adequate sewage disposal has accelerated the disease. Ancient structures suck up excess moisture like straws. The water evaporates quickly in the arid Egyptian climate and salts leach out, turning precious stone surfaces to powder.

Given the increasing precariousness of many monuments, one would think that the Egyptian Antiquities Organization would welcome all the help it can get to record and preserve them.

But another ancient Egyptian invention — bureaucracy — has been hindering the work of many foreign Egyptologists, who still dominate the field nearly two centuries after it was invented by Frenchmen who accompanied Napoleon's invasion of Egypt.

In January, a new EAO administration suspended restoration by Polish archaeologists of the 3,400-year-old mortuary temple of Queen Hatshepsut. Also known as Dair el Bahri, it is considered the grandest monument in the Theban necropolis across the Nile from Luxor.

Sayed Tawfik, who became the director of the antiquities organization in December, said the restoration, on which the Poles had labored for 21 years, was incorrect because it used modern materials unknown to the ancients. He also said the mountain into which the majestic, multi-tiered temple was cut is dangerously unstable.

Members of the Polish team said they were aware of the mountain's fragility and were in the process of shoring up the slope. "The suspension has left the monument in a worse state than before," one team member said.

A ruling requiring foreigners to get special permission to use EAO laborers postponed restoration of reliefs by a British-Dutch group in the 3,300-year-old tomb of Maya, an official of the Pharaoh Tutankhamun, in the necropolis at Saqqara, just south of Cairo.

Permission was also withheld to continue a 7-year-old American-sponsored excavation of a 5th-century B.C. temple at the nearby ancient capital of Memphis.

Permits to continue work on other sites have been taking up to six months to obtain, according to foreign scholars. Regulations previously ignored are being enforced — including ones such as the requirement that those seeking permits put down middle names on their application forms, a problem for Austrians, who generally lack them.

Even when permits have been granted, some archaeologists have not been given a starting date.

"This entails an enormous loss of money which could better be spent on archaeology than on keeping people in hotels twiddling their thumbs," one frustrated senior archaeologist said.

While some foreigners sit on the sidelines, some high-profile Egyptian projects have continued.

In a rare victory over the Tourism Ministry, the EAO kept Egypt's signature monument — the Great Pyramid of

Cheops — closed for nine months while the monument's interior had its first thorough cleanup in 150 years.

Rats and insects that had thrived there were destroyed. Layers of soot and salt were removed from the passages. Death by the grime, workers discovered ominous cracks and had to restore 500 of the pyramid's limestone blocks, according to Zahi Hawass, EAO director general at Giza.

No decision has been made, however, about what to do with the Sphinx, the pyramid's sickly neighbor on the Giza plateau.

In February 1988, a 500-pound (227-kilogram) block of limestone tumbled from the 4,600-year-old statue's right shoulder and the then EAO director, Ahmed Kadi, lost his job.

Although the enigmatic figure with the lion's body and the pharaoh's face has already been examined for more than a year by a committee of local and foreign experts, Mr. Tawfik said he would ask the California-based Getty Foundation to make a new study. "Then we will have a symposium," he said.

His administration seems to have a bias for wealthy institutions such as the Getty group, which has been allowed to continue its restoration of the tomb of Nefertari, another treasure of the Theban necropolis.

Much Egyptological work, however, has been done by small teams and individuals whose dedication compensates for their lack of big budgets and public relations departments.

Given the enormity of the need, there would seem to be more than enough to do for everyone in the field.

While Egypt struggles to preserve its known antiquities, more treasures keep being unearthed from its rich sands. Among the finds this year:

• An extraordinary cache of 20 dozen statues of pharaohs and gods dating from the New Kingdom reign of Tutankhamun to the waning days of pharaonic rule was accidentally discovered by workmen in a courtyard of Luxor Temple. Sayed Tawfik, the director of the Egyptian Antiquities Organization, employing Egyptologists' favorite superlative, called the find the most significant since the boy King Tut's tomb was discovered in 1922.

• A fortress city dating to the New Kingdom (1570-1080 B.C.) was unearthed in the Sinai Desert near the modern Suez Canal city of Qantara. The city, on the ruins of an even older site from the so-called Intermediate Period, when Asian barbarians swarmed across Sinai to Egypt, had massive walls more than 50 feet (15 meters) thick and contains the remnants of houses, grain silos, bakeries and domestic objects.

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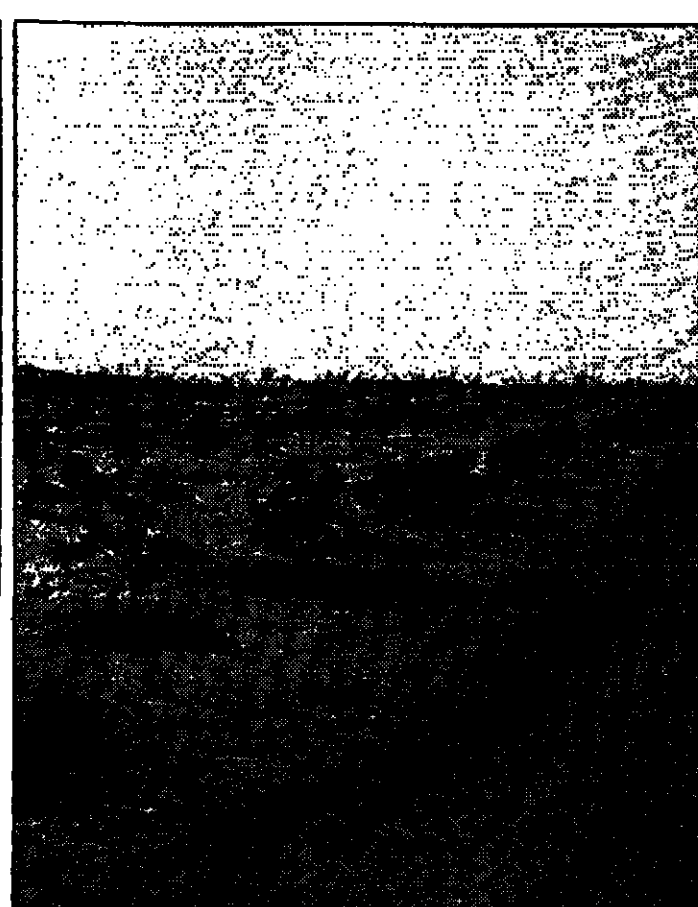
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Egypt: Back in the Fold / A Special Report



Only a fraction of Egypt is arable, but the need to develop its farmland is great. The use of innovative techniques has helped transform parts of the desert into crop-bearing fields.

Turning the Desert Green: Modern Agricultural Methods Pay Off

By Henry Tanner

CAIRO — Seen from a plane, the line between the vast Egyptian desert and the relatively tiny area of fertile land in the Delta and along the Nile has always looked clear and neat as if drawn by a sharp pencil. And it has not been changing over the years — or the centuries.

But now the line is becoming blurred. Little protrusions of green are beginning to push out from the Delta into the beige of the sand. And islands of similar green are spreading slowly elsewhere: along the desert road from Cairo to Alexandria; around the oases in the Western desert; and along the two new canals that are pushing from the Delta eastward toward Suez and westward toward the Libyan border, parallel to the Mediterranean coast.

Egyptian agriculture is stirring at last — and noise too soon. The country's population has reached an unmanageable 54 million and is increasing at the rate of a million every seven months. Once nearly self-sufficient, it is importing most of its basic food. Only a fraction of its surface is arable. It desperately needs new land for agriculture and people to live on.

The new beginnings are tentative and even embryonic, but great hopes are riding on them. Take the area north of Cairo's urban sprawl just west of the Barrage where the Nile forks and the Delta begins.

Thousands of acres of desert have been newly converted there and planted with grapes,

apples, peaches, mangoes and oranges on half a dozen new farms. The planting started in earnest some three or four years ago after the potted, virtually impossible road coming out of Cairo was given a hard top. Most of the farms are privately owned but one of the largest is run by the Interior Ministry on land belonging to its prison system.

Visiting the area means taking a trip into an unknown Egypt that is a world removed both from the hopelessness of the dusty, overcrowded cities and the fields of the Delta where water buffalo pull plows and water is still drawn from canals by spiraling pumps invented by Archimedes.

The last plots to be planted are on a 50-foot (15-meter) rise almost a mile into the desert, and they are greening with baffling speed.

Grape vines put into the ground 18 months ago are beginning to bear the first small grapes. On an adjoining lot, short stubby apple trees planted two and a half years ago are ripe with the first full-size yellow-and-red good-tasting Anna apples.

Elsewhere there are baby peach trees planted last January surrounded by tall corn stalks that give them shade and protect them against the desert wind. They will begin to bear fruit next year.

The secret to desert farming is constant attention to detail. "It is management-intensive," said Hassan Mostafa, who runs one of the family-owned farms together with his sister Nadia. As for the rest, the operation sounds deceptively simple.

All it took, it seems, was a system of drip irrigation tubes laid out on the desert floor, a hole for each tree and the right nutrients. Windbreaks in the form of single rows of tough needle trees divide the land. Newly planted trees were barely six feet tall but will eventually grow to the height of a four-story house.

The water, taken from the canal that marks the western boundary between the Delta and

The new beginnings are tentative and even embryonic, but great hopes are riding on them.

the desert, is being filtered in a succession of pools, then pumped up onto the higher-lying new fields. Every phase of the operation is constantly and carefully monitored.

The farmers did not do any leveling of the desert floor before planting. They are proud of having never used a bulldozer and never disturbed the hard crust of the desert floor, which remains grainy and acid between the green rows of new trees.

A strong, gusty wind failed to raise the sand in the newly planted areas but scooped up large clouds of it on nearby land that had been worked with bulldozers.

"You can grow almost anything in the desert with the proper love and care," said Mr. Mostafa. "That's what we wanted to show. We are very, very encouraged." He is constantly experimenting with new crops and new grafts.

Most of the new farms in the area are an extension of older ones that had been started up with traditional methods on both sides of the western-most canal of the Delta decades ago.

The Mostafas' farm was started on some 250 acres (100 hectares) in 1961. In 1986, the family started to push further into the desert — and up the hill — on another 350 acres.

In the old part the fruit trees and the vines have grown to full size and grass is growing between the rows. The needle trees of the windbreaks are thick and tall. So are the palm trees and flame trees, and there are dozens of different kinds of flowers. There is a swimming pool and even a smooth green lawn-tennis court.

Until a few years ago the traditional view — held by the U.S. Agency for International Development among others — was that land reclamation in the desert was so expensive as to be unworkable. It was also assumed that it would take six or seven years before the land would bear fruit, if then.

Not so, says Mr. Mostafa, who like his father, who founded the farm, has an engineering degree from the Massachusetts Institute of Technology.

The average cost of converting an acre of desert land is between \$1,200 and \$1,500, he

said. And he estimates that an apple orchard will bring in at least that much from about the third year.

Deeper in the desert, where there are no canals and where wells have to be dug, the cost may well be double. And there are pitfalls, of course.

Desert-farming is profitable, farmers concede, only for farms of at least 50 acres which have the equipment, the management skills and trained workers for constant care. "You must have farmed in the Delta first to make a go of it," one farmer said.

"A desert farm is like the intensive care ward of a hospital; you have a life-support system that can never be allowed to go off," he said, adding that young people who are given five or six acres in the desert and who rely on the state for electricity and water, which they share with others, are facing impossible odds.

"One day, the electricity will fail or the water will not arrive and the crop will be destroyed. We have our own generators and our pumps and reservoirs and a team of workers for constant control and maintenance."

Some of the successful farms have organized themselves in companies which will reclaim desert land, put in the irrigation system and manage the fledgling farm on a contract for others.

Desert farming took off after the government lifted crop controls on reclaimed land and freed the prices at on these produce. By contrast, in the Delta, the obligatory crops are cotton, sugar cane and rice which the farmers

sell at controlled prices to the government. Proponents of desert farming have been opposed within the government by other specialists who want continued priority to be given to the systematic intensification of existing agricultural yields in the Delta. The government, it seems, has not resolved the dispute.

Youssef Amin Wali, the minister of Agriculture and Land Reclamation, recently said that 100,000 acres of desert will be reclaimed this year, with similar areas planned for each of the coming years.

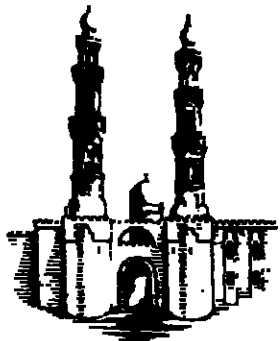
Farmers complain that Egypt has no extension service equipped to give them information and technological advice even though the Agriculture Ministry has received millions of dollars in technical assistance from USAID.

In one area, a parasite recently destroyed almost the entire crop of grapes. Only a few farmers received warnings from stricken colleagues in time to send out teams to hand-pick the bug from every plant and then spray with just the right chemical.

Agricultural exports in significant quantities, moreover, are a matter of the future. There are no collective facilities for market research, transport or storage.

But at the Sunday-gardener's level at least, the idea of growing things in the sand has caught on. An economist returning to Egypt invited his old colleagues out for a cruise on the Nile on his first evening in the hope of getting an exhaustive fill-in on the national economy. But "all they wanted to talk about was the respective size of their mangoes."

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Deposits & Current Accounts	5,313	Banks & Correspondents	
Banks & Correspondents	370	Total Investments	1,085
Sundry Credit Balances	353	Total Advances & Loans	2,835
	6,765	Sundry Debit Balances	309
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Contra Accounts	2,427	Contra Accounts	2,427
		Net Profit	40.5

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MONDAY SPORTS

As Week 2 Begins, McEnroe Is Guarded, Shriver Is Gone

By Sally Jenkins
Washington Post Service

WIMBLEDON — As the survivors rested Sunday and prepared for the second week of the Wimbledon tennis tournament, officials continued to be concerned about a death threat to John McEnroe and the eighth-seeded Pam Shriver packed her gear, having been beaten in a three-set match that almost lasted into the second half of the fortnight at the All England Club. The fifth-seeded McEnroe, playing under a threat he was not aware of, beat fellow American Jim Pugh, 6-3, 6-4, 6-2, on Saturday to move into the fourth round for the first time in four years.

After the match, which was played under heavy security, it was revealed that an unidentified man

had threatened to kill McEnroe in calls to the All England Club and a national newspaper.

McEnroe's manager, Sergio Palmieri, was informed of the threat before the three-time champion walked on to Center Court to play Pugh. But Palmieri didn't tell

WIMBLEDON TENNIS

McEnroe until after he had beaten Pugh and completed a victory in doubles with partner Jakob Hlasek.

"We cannot tell yet whether this is a serious threat, but we are treating it with great caution and have taken what we think is the proper action to negate it," said Ray Dunn, a chief inspector of Scotland Yard.

Shriver, 26, had been a semifinal-

ist here for the last two years. But this season she has been an equivocal, sometime player, and so it was less than shocking when she succumbed to fellow American Gretchen Magers, 2-6, 6-2, 12-10, after saving three match points in the 22d game of the final set. For Magers, ranked No. 40, it was her first victory over a top-10 player.

"I knew I wasn't in the greatest condition," Shriver said. "So I just let it rip. Sometimes it worked and sometimes it didn't."

She added: "I honestly, in my heart, thought that if I could get by the first week I'd be a contender in the second week like I have been the last two years. Maybe that was a little ambitious."

Michael Chang, the 17-year-old French Open champion, played another typically stubborn match after he lost the first set and trailed by 5-1 in the third against Michiel Schapers of the Netherlands. Chang swept the last six games and saved two set points to gain the fourth round (see Scoreboard).

Eighth-seeded Tim Mayotte of the United States became Chang's round of 16 opponent with a straight-set victory over David Pate. Should Chang defeat Mayotte, who has reached at least the quarterfinals here five of the last seven years, he would then in all likelihood meet second-seeded Stefan Edberg of Sweden, his victim in the final of the French, who advanced with a victory over Scott Davis of the United States.

McEnroe, with his victory over Pugh, defeated a player who only a week ago had upset him in a tune-up tournament. It was McEnroe's first straight-set victory at Wimbledon.

"Well I'm still here and I feel like my game is improving, and I like my chances," he said.

Fourth-seeded Mats Wilander of Sweden advanced easily over Jason Stoltenberg of Australia, a 19-year-old who was the world junior



McEnroe is surrounded by security men after a death threat was received at the All England Club.

champion two years ago. Wilander has had a wretched 1989 since finishing last year as the top-ranked player, but he has quietly swept his first three matches in only nine sets and is in increasingly good position. He is seeking to claim the only one of the four Grand Slam titles he still lacks.

Shriver was the only seeded player to lose Saturday. All six seeds in the bottom half of the men's draw and five more among the women advanced. At the end of the first week the upset totals stood at seven men's seeds and five women's seeds.

The survivors, after the traditional Wimbledon day off, were to resume play Monday with all the round of 16 matches scheduled.

It will be a dangerous day for favorites among the women. Second-seeded Martina Navratilova used six aces to trump Nicole Pietrangeli of Australia as she advanced to her 15th consecutive round of 16. But next she meets Hana Mandlikova.

Mandlikova, seeded 14th, defeated 17-year-old Donat Fibber of the United States. Mandlikova is ranked just No. 19, but she was the 1986 finalist here against Navratilova.

And, this is the only one of the four grand slam titles she has not won.

Fourth-seeded Chris Evert labored slightly in eliminating Anne Hobbs, the last remaining player from Britain. Evert's fourth-round opponent will be the two-time NCAA champion, Patty Fendick.

At 34, Evert is in the round of 16 for the 17th time in 18 years. Magers and Fendick are part of a contingent of six first-timers to advance this far. Others making their debut in the fourth round are 17-year-old French Open champion Arantxa Sanchez of Spain and 15-year-old Monica Seles of Yugoslavia.

Seles, a skippy two-fisted wonder, will be the next opponent for top-seeded Steffi Graf, whom she extended to three sets in the French Open.

Magers' previous best performance at Wimbledon was a loss in the mixed doubles final last year. She had been soundly beaten twice before by Shriver, and was as surprised as anybody to prevail in the third set after trailing by a service break at 2-1.

"I can't explain it," she said. "I really can't. I always felt like I was in the hole trying to get back in it."

Shriver had counted herself fortunate to be in the third round at all. On Friday, she narrowly defeated Sara Gomer after saving three match points in the third set.

"So basically I felt like today was a free match," she said. Had she held serve once in the last four games, she might have won it.

Shriver had made a late decision to play singles here after taking several weeks off this season due to exhaustion and outside commitments. She was wildly inconsistent, and then to save six match points in two days was, under the circumstances, an overwhelming task. Even so, she nearly did it.

With Magers serving at 40-0 and triple match point, Shriver passed her three times consecutively to get to deuce. The first two points were sharp angled backhands that Magers slapped into the net with volleys. The third was a huge, marvelous backhand straight down the line. But Shriver could not come up with any more, and put a backhand service return into the net. On the fourth match point, her forehead

"It was like a dogfight, or something like that," she said.

VANTAGE POINT/Dave Anderson

The Sainted Iron Horse

New York Times Service

NEW YORK — While baseball endures the Pete Rose headlines, it is commemorating one of its most sainted legends. Lou Gehrig will be remembered July 4 at Yankee Stadium on the 50th anniversary of his goodbye there.

Stricken by the mysterious disease now named for him, he described himself that day in 1939 as "the luckiest man on the face of this earth."

Within two years, he was dead at age 38.

Through the years, Gehrig has remained "a symbol of decency and kindness and courage," as Frank Graham, a great sports columnist of that era, once wrote of him.

This season Gehrig's memory is being honored at every major league ball park with speeches, videos and a ceremonial "first pitch" to first base instead of to home plate. He is also pictured on a new 25-cent stamp issued by the U.S. Postal Service.

Gehrig is remembered for his record streak of 2,130 consecutive games, for his 493 home runs and 340 average, for having been baseball's best first baseman, and for having been the cleanup hitter behind Babe Ruth on the 1927 Yankees, considered by many historians to have been baseball's most dominant team.

Gehrig is remembered as the Iron Horse because of his strength and stamina before his illness. But he is also remembered for the iron will with which he accepted the disease for which there is still no cure. Without complaint. Without self pity. But he knew.

Shortly after returning from the Mayo Clinic where he was diagnosed as having amyotrophic lateral sclerosis, he was walking along a railroad platform in Washington when a group of boys shouted, "Good luck." He waved and smiled, then he turned to Rud Rennie, one of the baseball writers traveling with the Yankees.

"They're wishing me luck," he said quietly, "and I'm dying."

But the memory lives. In the old Yankee clubhouse, behind third base in those years, Joe DiMaggio's locker was adjacent to Gehrig's near a window. To kill time before a game, they often tried to guess the size of that day's crowd by the number of people on the sidewalk. "And my rookie year," DiMaggio once recalled, "Lou stuck up for me with an umpire."

Early in that 1936 season, DiMaggio let a questionable high pitch go by. When the plate umpire, crusty George Moriarity, called it a strike, DiMaggio didn't complain. But when Moriarity called an even higher pitch a strike, DiMaggio glanced back.

"Moriarity growled, 'Turn around,'" DiMaggio remembered, "but from the on-deck circle. I heard Lou yell, 'Leave the kid alone, George. If you call 'em right, he won't have to turn around.' When you're a rookie, you never forget that."

The next year Tommy Henrich was a Yankee rookie. And like all young players then, he was awed by Gehrig's line-drive power. "Lou hit four line drives one day," Henrich recalled. "I'd never seen line drives like that before. But when I mentioned it to Bill Dickey, he said, 'You only saw soft line drives. Wait until you see his hard line drives.'"

In spring training in 1939 the Yankees suddenly realized Gehrig wasn't himself. "He couldn't get out of the way of a pitch, and he couldn't run," Henrich recalled. "In May, he benched himself. His consecutive-game streak was over."

DiMaggio and Henrich knew Gehrig in his final years but Mark Koenig, now 86, and Gehrig were Yankee rookies in 1925.

"He was a real nice kid," Koenig recalled. "Benny Bengough and I had an apartment together and he'd visit us. That was long before he got married. I don't know how he ever got married; he was so bashful."

Of all the big league baseball players who have grown up in New York, Henry Louis Gehrig, born on June 15, 1903, was the best. And at Columbia, where he was a pitcher as well as a first baseman and outfielder, people still point to the library steps, where one of his most famous homers landed.

"Lou and the Babe," said Koenig, "where would the ball go if they were hitting it now? The ball's like a golf ball now."

Friends at first, Gehrig and the Babe had a strained relationship after the Babe once criticized Lou's mother. But on July 4, 1939, on Lou Gehrig Appreciation Day at the stadium, the Babe hugged his tight.

After his short speech, Gehrig, his step slowed, walked to the dugout carrying one of the many gifts he had received, a silver trophy. On a bronze plate at the base of it was inscribed a poem. "To Lou Gehrig, written by John Kieran, then The New York Times sports columnist, at the request of the players. It read:

We've been to the wars together;
We took our lumps as they came;
And always you were the leader,
And ever you played the game.
Idol of cheering millions;
Records are yours by sheaves;
Iron of frame they hailed you,
Decked you with laurel leaves.
But higher than that we hold you,
We who have known you best;
Knowing the way you came through
Every human test.
Let this be a silent token
Of lasting friendship's gleam
And all that we've left unspeakable.
— Your pals on the Yankee team.



Shriver raises a racket in anger during upset by Gretchen Magers.

The McEnroe-Chang Lunacy Is Set for Denuding

By Bud Collins

International Herald Tribune

WIMBLEDON — Will there be a moon over Wimbledon?

The posterior possibility, raised somewhat negatively the other day by John Patrick McEnroe Jr., may be of passing interest to astronomers at the Royal Observatory in Greenwich. But it seems to be causing considerably more excitement among the multitudes stricken with interest in this tennis tournament.

Moons may wax and wane, but McEnroe has offered a slight diversion from the usual Wimbledon fare by saying: "If Michael Chang wins this tournament I'll drop my pants in Center Court."

It was another round fired — a moon shot? — in the continuing verbal skirmish involving the old boy himself, 30-year-old McEnroe, and the new boy, 17-year Michael Chang. The instigator has been McEnroe, beginning a year ago in Paris. After battering Chang in the French Open, McEnroe asserted that the kid had "turned pro too soon. He ought to at least finish high school."

Retorted Chang: "John doesn't know my situation at all, so he shouldn't talk about it." He proceeded to complete requirements for a diploma and, sooner than imaginable, had moved up near the head of the professional class, playing at a Ph. D. level.

Then, three weeks ago, defying reason, history, Ivan Lendl and Stefan Edberg, Chang won the French Open. "That's embarrassing," said McEnroe, "that such a young kid would do that. We veterans'll have to teach him a lesson."

And, he added: "What I mean is he's too young to win such an important tournament. The pressure on him will be unbearable now."

Chang answered: "Does John want me to give the trophy back? What pressure? I don't feel any. Nobody expects me to win here."

But after swiping back from 1-5 in the third set Saturday to beat the dynamite-serving

'That'd be a scene, wouldn't it?' said Chang, abandoning his usual reserve for a broad grin.

Dutchman, Michiel Schapers, for a spot in the last 16, Chang had risen like the moon itself to the elevation of contender.

Whereupon McEnroe, who may be hearing sneaker steps from the direction of the nursery — and not those of his infant sons — issued the latest lunar bulletin: "I'll be worried about dropping my pants only if Chang gets to the semifinals."

That's two victories away for both, a couple of Americans on a lunar collision course. If McEnroe wins his next two and Chang does the same, they will arrive at deadly embrace in the semis.

And should that happen, can the mooning be far, uh, behind?

"That'd be a scene, wouldn't it?" said Chang, briefly abandoning his usual reserve to present a broad grin. Quickly returning to his measured, careful style in dealing with reporters, he said, "That's John's business, what he does. I don't really have any thoughts on it."

Would this be a moonwalk around Center Court? Or a mournful walk by a defeated McEnroe with his shorts at half-mast? Will he paraphrase Neil Armstrong: "One small drop for me, but one giant gulf for mankind?"

Not that mooning at a tennis tournament would be original. His Naughtiness, the irrepressible Lie Nastase, got visually physical in flashing his disagreement with referee Charles Hare during a Palm Springs, California, tournament in 1976. Hare, an Englishman, responded with a lunar eclipse, disqualifying the Romanian. Lie was, you might say, bummed out.

Andrea Jaeger got to the 1983 Wimbledon final with moonballs, but it was her foe, Martina Navratilova, who, in the opening game, felt her skirt sliding down — "the most embarrassing thing I ever went through."

She had neglected to fasten it properly before leaving the dressing room. But Navratilova adroitly grabbed the treacherous garment with her right hand while making a winning volley with the left, then called time for repairs before continuing to her fourth title.

You will have to wait until Friday to see if this new phase of the moon occurs. But if McEnroe does barely salute his conqueror, you'll know that the bottom has fallen out of his championship campaign.

All Blacks Stop France, Australians Rout Lions

Compiled by Our Staff From Dispatches

AUCKLAND, New Zealand — The French coach, Jacques Fouroux, said the All Blacks' performance bordered on the "extra terrestrial." And in Sydney, Australia's coach, Bob Dwyer, admitted: "I'm a bit shell-shocked."

On a major day of tests for the world's best rugby teams, New Zealand had rallied in the second half Saturday for a 34-20 victory over France, while fly half Michael Lynagh kicked 14 points and played a superb tactical game as Australia beat the British Lions, 30-12.

The All Blacks, the world's No. 1 team, had trailed by 20-19 after 12 minutes of the second half, but finished strongly after a dominant performance in which their forwards controlled possession.

With lock Murray Pierce in commanding form, New Zealand won the lineout count by a 2-1 ratio, and controlled the scrums and punts to score four tries to two (see Scoreboard) and win the series, 2-0.

The match, played before a capacity crowd of 47,000, was a stop-start affair notable for a high number of unforced errors by both sides. "We were looking at a loss and we became motivated by fear," said New Zealand's captain, Wayne Shelford.

Australia led, 15-6, at halftime and dominated its game for long periods, scoring four tries to none as its forwards overpowered their rivals.

"That was a fantastic performance," said Australia's captain, Nick Farr-Jones. "It was a physical match, but our defense was outstanding. We produced when it came to the crunch."

It was the first time the Australians' first victory over the Lions since 1930 and only their third in 15 tests since 1899. The second test is scheduled for Ballymore in Brisbane on July 8 with the third at the Sydney Football Stadium on July 15. (AP, AFP)

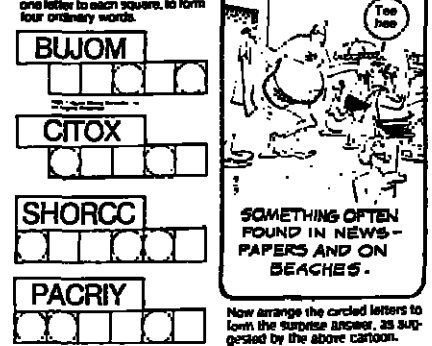
DENNIS THE MENACE



"WELL, HERE COMES GUNSA FOR HIS DIN-DIN."

JUMBLE

Unscramble these four Jumble words to form four ordinary words.



Answers: A B U J O M (Jumble word); C I T O X (CITRIX); S H O R C C (SHORCC); P A C I R Y (PACIRY).

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PEANUTS



"ALL RIGHT, LUCY. WHAT'S YOUR EXCUSE THIS TIME?"

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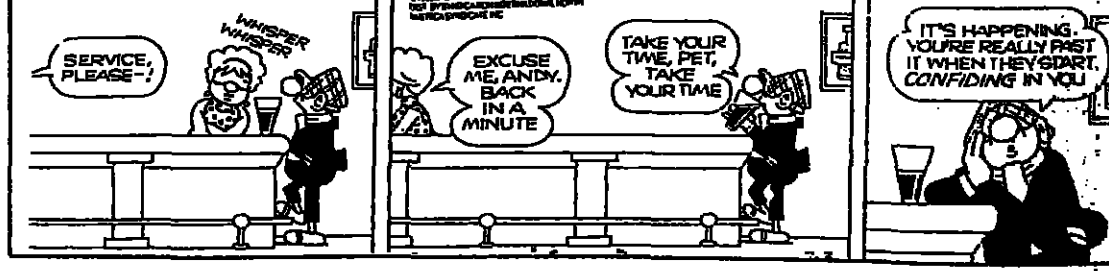
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ANDY CAPP



"SERVICE PLEASE!"

"SERVICE PLEASE!"

"SERVICE PLEASE!"

"SERVICE PLEASE!"

"SERVICE PLEASE!"

"SERVICE PLEASE!"

"SERVICE PLEASE!"

"SERVICE PLEASE!"

LeMond the Realist

The Struggle Back Is 'Slow, So Slow'

Delgado: Late Start

International Herald Tribune

LUXEMBOURG — The Tour de France began in turmoil as Pedro Delgado, the defending champion, showed up nearly three minutes late for his start Saturday.

The time counted against him in the race, which is decided on least elapsed overall time, and Saturday night the Spaniard was dead last.

Race officials said they could not recall a previous leader who had shown up late for the start of any day stage.

"Once in a while, a low-ranking rider will be late, but never the man in the yellow jersey," said one official.

Delgado later said that he had lost track of the time and "thought I still had a couple of minutes."

He appeared to be calm, even joking, as he remarked, "It's not so bad. There are still 21 days left."

He arrived on the starting platform 2 minutes, 40 seconds late for the prologue, a time trial in which Delgado, as last year's winner, was scheduled to be the final rider.

Some Spanish journalists said Delgado had taken a wrong turn during his warm-up near the platform. According to this account, he rode almost a block away from the start before a mechanic caught up and turned him around.

Delgado finished in 12 minutes, 48.30 seconds. Without the 2:40 delay, he would have finished among the leaders.

Instead, he was more than a minute and a half behind the next-to-last man in the field.

—SAMUEL ABT

By Samuel Abt

International Herald Tribune

LUXEMBOURG — "So far, so good," Greg LeMond said Sunday with a wistful smile. He was trying hard not to give in to optimism but to remain "realistic," as he put it.

Nearly lost in the commotion over Pedro Delgado's tardiness at Saturday's prologue to the Tour de France was LeMond's remarkable fourth place in the time trial.

"I felt pretty happy with that," the American rider said after the first of two stages in Luxembourg on Sunday for the three-week bicycle race.

"But," he cautioned, "it doesn't necessarily mean that much. I've got to be careful not to get too confident too quickly."

He similarly brushed aside the fact that he had secured briefly to lead the 195-man pack in pursuit of three breakaways during the first stage. It covered 135.5 kilometers (85 miles) around the Grand Duchy.

Acacio da Silva, a Portuguese who grew up in Luxembourg and rides for the Carrera team based in Italy, was the easy winner of the stage, finishing in 3 hours, 21 minutes, 36 seconds, or a fast 40.3 kilometers per hour.

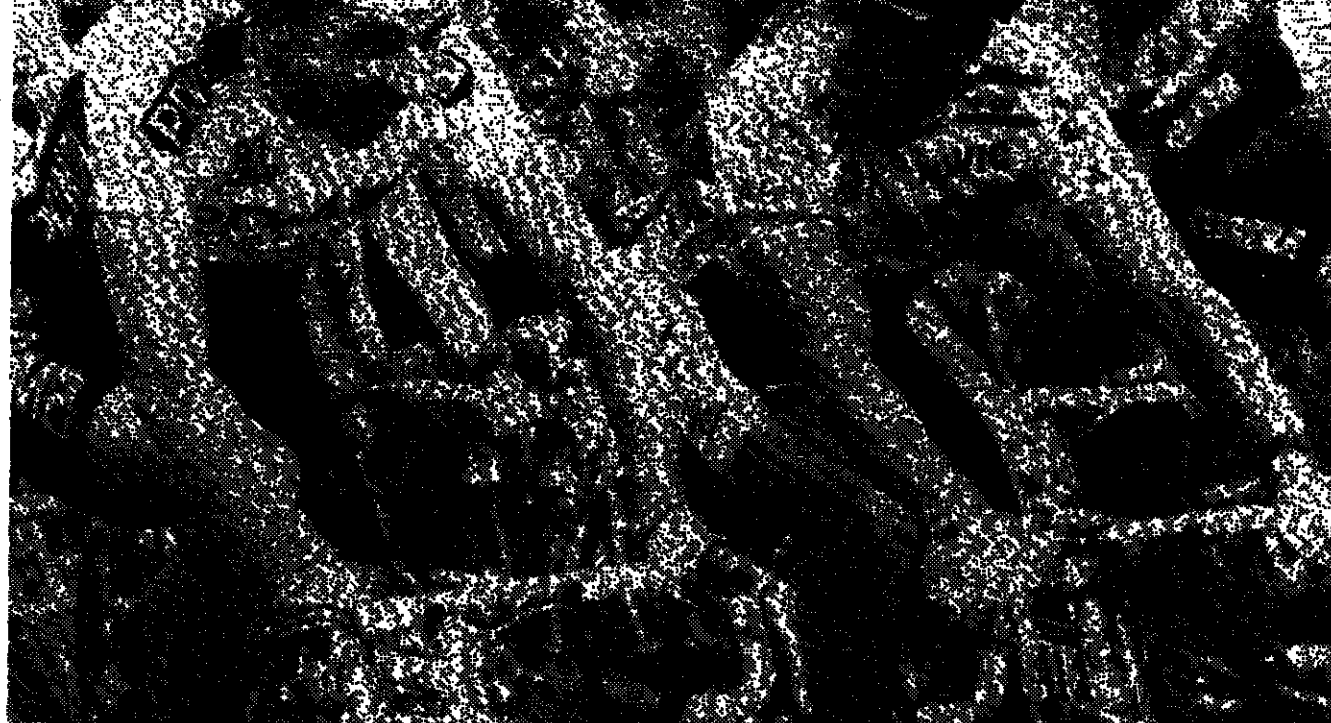
Second on a cold, cloudy and occasionally drizzly day was Soren Lilholt, a Dane who rides for the Hyster team from Belgium. Lilholt, who started the breakaway seconds after the race began, finished eight seconds behind da Silva.

Roland Lohr, a Frenchman with the Paternina team from Spain, was third, 1:41 back, and Etienne De Wilde, a Belgian with Hyster team, led the pack in, 4:40 behind da Silva.

Da Silva kept the overall leader's yellow jersey through the second stage, a time trial, and probably will hold it for another week, until the Pyrenees are reached.

Although he is a passable climber and now leads most of the favorites by four minutes, da Silva is not regarded as a potential winner of this Tour de France.

Nor is LeMond. He is still recover-



Greg LeMond, right, the American who won the 1986 Tour de France, shares a laugh with Dutchman Steven Rooks in the first stage.

ing from the effects of an accidental shooting while hunting in April 1987, the year after he became the only American to have won the Tour.

As he changed out of his uniform after the first stage Sunday, LeMond was eager to downplay any assumptions that he was reclaiming a leadership role in the pack.

"I wasn't leading anybody in the chase after the break," he protested. "I was just trying to stay at the front, trying to avoid any crashes."

This approach, he had explained before the stage, is part of being realistic. The new policy even helped at his birthday party.

LeMond turned 28 on June 26, and, like so many other events in his life during the last two years, not everything went right.

"I tried to cook some lamb chops on the grill at home in Belgium, but

it didn't work out because we couldn't find the coal," he said with a laugh and a sigh. As he struggles to recover from the shooting, an emergency appendectomy and then tendon problems last year, LeMond has begun signing a lot.

His comeback has been so slow that he has not finished first in a major race since his victorious victory on the Champs-Elysees in July 1984.

Now he is in Luxembourg for his first Tour de France since then. He missed last year's edition because of an infected shin tendon.

In an interview, he discussed his state of mind as he struggles to regain his championship form.

"It's been slow, so slow," he acknowledged. "I'm not getting old, that's not the problem. I'm starting a new career. Do you know how hard that is?"

For LeMond, it has been exceedingly hard and he has scaled down his ambitions. Asked about his goals for this Tour, he said simply, "To do as well as I can."

"As well as I can," he repeated, "but I don't know which place that means. I really can't say specifically, it's just too difficult." With a sigh, he thought further.

"My goal would be to be top 15," he decided. "I'm in even the top 20 it will be a very successful tour."

"And I'd really like to win a stage, especially in a time trial."

Everything depends on his form, he continued, and that is uncertain. "I don't know what my form will be," he said, sighing again. "I can't say. I just don't know. I just don't

have the confidence I had before because I had so many bad days in the Tour of Italy."

He expected to do well in that race last month, he said, but finished 39th after quickly showing that his climbing strength was erratic. What he is trying to guard against is overoptimism.

"I'm going into the Tour de France pretty confident that I can do fairly well," he said, "but I don't want to build something up in anticipation that I might do better than I think I could."

"Then, when I don't, all of a sudden I'm pretty disappointed and depressed."

"That's what happened to me in the Tour of Italy. A couple of days I lost so much that I rode the whole race with no motivation."

"I've got to guard against that here," he concluded, with a sigh.

SIDELINES

EBU Gets TV Rights to '92 Olympics

LIMASSOL, Cyprus (AP) — The public European Broadcasting Union, which had lost television rights to the Wimbledon championships to cable and satellite competitors, said Sunday it had secured the television rights to the 1992 summer and winter Olympics and other major sporting events.

As the 40-member union ended its two-day annual meeting, its president, Albert Scharf, said the union also had acquired rights for the 1992 and 1996 European soccer championships and the finals of the European soccer cups from 1990 to 1996.

Harvard Loses After Protest at Henley

HENLEY-ON-THAMES, England (Reuters) — Nottinghamshire County's rowing eight won the Ladies' Plate final at the Henley Royal Regatta twice on Sunday, after their first victory was annulled by a Harvard University protest.

After Notts County won the first clash by five lengths, Harvard coach Harry Parker protested that a piece of driftwood had jammed the Harvard boat's rudder. In the second running, Notts County beat Harvard by two-thirds of a length. Earlier, a West German crew made rowing history, becoming the first team to crack the six-minute barrier, shattering the Grand Cup record with a time of five minutes, 58 seconds.

Faldo Retains French Open Golf Title

CHANTILLY, France (Combined Dispatches) — Nick Faldo of Britain blasted out of a bunker to birdie the last hole Sunday for a one-under-par 69 and a one-stroke victory in the French Open golf tournament, retaining the title he has won four times (see Scoreboard).

Bernhard Langer of West Germany was a shot behind Faldo at 274, sharing second place with Mark Roe of Britain and Hugo Baiocchi of South Africa.

Orville Moody shot a record eight-under 64 in Saturday's third round of the U.S. Senior Open in Ligonier, Pennsylvania.

Larry Mize and Mark McCumber, after two late bogeys by Paul Azinger, tied him for the lead at 10-under 206 after the third round of the Western Open in Oak Brook, Illinois. (NYT, AP)

For the Record

Lawyers for A. Bartlett Giamatti, the baseball commissioner, have decided not to try to block in Ohio Supreme Court Thursday's hearing in the Pete Rose case, a source in the commissioner's camp said. (NYT)

Old Vic, winner of last month's French Derby, was ridden by Steve Cauthen to a four-length victory Sunday in the Irish Derby. (AP)

Brazil beat Venezuela, 3-1, and Paraguay routed Peru, 5-2, in Salvador, Brazil, as the America Cup, South America's quadrennial soccer championship began Saturday. (AP)

The Calgary Flames and the Vancouver Canucks of the National Hockey League signed Saturday to a four-year contract, ending the long-standing rivalry between the two teams. (AP)

Calvin Smith edged Olympic champion Carl Lewis in the 100 meters and Abdi Lebeid Steve Ram's Dream Mile winning streak, a track meet in Oslo Saturday night. (AP)

Ian Botham has been recalled to England's cricket squad for the third test against Australia, which starts on Thursday. (AP)

Dino Radja, the center-forward drafted by the Boston Celtics of the National Basketball Association through under contract with a Yugoslav team, said in Boston that "I'll do what is best for me." (AP)

Hugo Sanchez, the Mexican soccer star, said he would fulfill his year-year contract with Real Madrid and denied he was discussing a transfer to Turin. (AP)

Notable: Larry Barnett, on why allowed a Baltimore Orioles-York Yankees game to proceed in dense fog: "You can't put a top over fog." (LAT)

Orioles Recover From a Brief Case of '88 Déjà Vu

Compiled by Our Staff From Dispatches

The Baltimore Orioles — after a brief regression that recalled their hapless 1988 season — returned to their 1989 form Saturday night.

As they defeated the Detroit Tigers, 8-1, in Baltimore, all the elements of success were present: solid starting pitching, airtight defense and relief, a few timely hits and plenty of luck.

But preceding the victory, the Orioles had suffered two of drubbing after the hands of Toronto and Detroit. The pitchers had given up 11 runs and 19 hits to the Blue Jays on Thursday night and 16 runs and 18 hits to the Tigers on Friday.

Saturday, however, Jeff Ballard ended two pitching slumps — his and Baltimore's — by holding Detroit to five hits in 7½ innings while Randy Milligan, Cal Ripken and Craig Worthington homered.

Ballard won for the first time since June 5. He had gone 0-2 in four starts since, allowing 14 earned runs in 12.2 innings.

Yankees 5, Brewers 1: A seldom-involved rule in a strange "fourth out" situation gave New York its

final run against visiting Milwaukee.

With one out in the bottom of the eighth and Mike Pagliarulo at third base and Bob Geren at first, the Yankees put on a suicide squeeze and both runners broke with the pitch. Wayne Tolleson

SATURDAY BASEBALL

bunted the ball in the air to pitcher Jay Aldrich, who threw to first base for an inning-ending double play.

But Pagliarulo crossed the plate before the third out, and his run counted because the Brewers did not appeal his leaving third base too soon and not tagging up.

"It's a 'fourth out' situation," said the plate umpire, Larry Barnett. "I realized it when it happened. It's not my job to tell them they have to appeal. And I'm not the one who has to tell them the run counts."

Had Aldrich thrown to third instead of first, or had the Brewers appealed before leaving the field, Pagliarulo would have been the third out and his run would not have counted. Because Aldrich

threw to first, Geren technically became the fourth out in an inning in which there was no third out.

Athletics 6, Indians 4: Rickey Henderson's broken-bat, pinch-hit single scored two runs, ending a 3-3 tie in the sixth in Cleveland.

Henderson batted for Mike Gallego with runners at first and third and one out. He blooped a pitch from Rich Yeti into center field to score Glenn Hubbard. Stan Javier went from first to third on the hit and continued home when center fielder Joe Carter's throw to third skipped into the dugout.

Angels 6, Twins 1: Chili Davis homered twice, once batting left and one right, and Tony Armas homered as they continued their hot hitting in Minneapolis, boosting California to a third straight rout of the Twins.

Davis was 6-for-13 with three homers and five RBIs and Armas was 7-for-12 with two homers and four RBIs; California had outscored Minnesota, 23-6, in the first three games of the four-game series.

White Sox 6, Royals 4: Harold Baines greeted Kansas City reliever

Tom Gordon with a tie-breaking, two-run bloop double, capping a three-run rally in the seventh inning in Chicago.

Rangers 1, Mariners 0: Bobby Witt, 0-3 with an 8.15 earned-run average in his last four starts, allowed two hits in 7½ innings in Arlington, Texas.

The Rangers got their run off Randy Johnson in the third when Jim Sundberg doubled with one out, went to third on Jeff Kunkel's loop single and scored on rookie Sammy Sosa's single.

Red Sox 3, Blue Jays 1: Eric Hetzel allowed three hits and no runs in 5½ innings in his major-league debut and Mike Greenwell homered for Boston in Toronto.

Dodgers 1, Pirates 0: Jose Gonzalez's grounder bounced off second baseman Jose Lind for a single, scoring Eddie Murray with two outs in the ninth in a National League game in Los Angeles.

Cubs 3, Giants 2: Greg Maddux allowed two runs in 7½ innings but hit two singles and got the game-winning RBI in San Francisco.

Gooden Is Put On Injured List

Compiled by Our Staff From Dispatches

CINCINNATI — The New York Mets placed ace pitcher Dwight Gooden on the 15-day disabled list Sunday, following Gooden's (19) vs. Los Angeles (11) defeat, a 6-2 loss to the Cincinnati Reds on Saturday.

Gooden experienced soreness underneath his right arm-pit and was relieved in the third inning after giving up bases-empty home runs to Barry Larkin and Kal Daniels.

But Gooden is expected to miss only one start, largely thanks to the midseason All-Star Game break. Left-hander Dave West will take his place in the rotation. (UPI, AP)

All-Star Coaches Named

Buck Rodgers of Montreal and Jack McKeon of San Diego have been named by their leagues as coaches for the National League All-Stars, and Joe Morgan of Boston and Doug Rader of California

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SCOREBOARD

Baseball

Major League Standings

(Through Saturday)

AMERICAN LEAGUE

East Division

W L Pct. GB

Baltimore 37 37 .500 0

Seattle 37 37 .500 0

Toronto 37 37 .500 0

Minnesota 37 37 .500 0

Chicago 37 37 .500 0

West Division

W L Pct. GB

Oakland 48 32 .600 0

California 48 32 .600 0

Kansas City 48 32 .600 0

Texas 48 32 .600 0

Minnesota 48 32 .600 0

Chicago 48 32 .600 0

NATIONAL LEAGUE

East Division

W L Pct. GB

Montreal 42 37 .530 0

Chicago 42 37 .530 0

New York 42 37 .530 0

St. Louis 42 37 .530 0

Pittsburgh 42 37 .530 0

Philadelphia 42 37 .530 0

West Division

W L Pct. GB

San Francisco 42 37 .530 0

Houston 42 37 .530 0

Cincinnati 42 37 .530 0

San Diego 42 37 .530 0

Los Angeles 42 37 .530 0

Atlanta 42 37 .530 0

Friday's Results

AMERICAN LEAGUE

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Cleveland 000 000 000-12 0

Wash. Nats. 000 000 000-12 0

San Francisco 000 000 000-12 0

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